ANNUAL REPORT
OF ĐURO ĐAKOVIĆ GROUP AND ĐURO ĐAKOVIĆ HOLDING D.D. COMPANY

January - December 2015

ĐURO ĐAKOVIĆ

ANNUAL REPORT OF ĐURO ĐAKOVIĆ GROUP AND ĐURO ĐAKOVIĆ HOLDING D.D. COMPANY JANUARY - DECEMBER 2015

On behalf of
the Management Board

Tomislav Mazal, dipl.iur.
President of the Management Board

Marko Bogdanović, dipl.ing.
Member of the Management Board

Slavonski Brod, 29 April 2016

Visualisation of the biomass cogeneration plant BE -TO Sisak construction project

Content

Construction of crude oil storage tanks

Pursuant to provisions of Article 250a of the Trading Companies Act and provisions of Article 403 of the Capital Market Act, the Management Board of ĐURO ĐAKOVIĆ Holding d.d. company has drafted, in compliance with the provisions of Article 19 of the Accounting Act the

MANAGEMENT BOARD'S REPORT ON THE STATE OF THE COMPANY

for the period of January - December 2015

Financial statements for January - December 2015

The presented financial statements are drafted pursuant to the provisions of the Capital Market Act (Official Gazette no. 88/08; 146/08; 74/09; 54/13; 159/13; 18/15; 110/15), Zagreb Stock Exchange Rules and the Decision on the Form and Content of Financial Statements.

The structure of the financial reports corresponds to the prescribed structure in the Decision on the Form and Content of Financial Statements by the Issuer throughout the year (GFI-POD form).

The presented financial reports are compiled in accordance with the fundamental provisions of the International Financial Reporting Standards and the Company's Accounting Policies.

The notes indicate only the materially significant changes relative to the situation at the end of the previous business year, i.e. the information significant for understanding the presented reports.

Slavonski Brod, 29 April 2016

Delivery and installation of
equipment at the Vukanovec Gas
Field Facility

Management Board report

Cargo wagon type Uacns

1. Introduction

1.1. General information about the Company and the Group

The company Đuro Đaković Holding d.d. as a parent company has 5 companies in which it has a predominant influence (more than 50% of votes at the General Assembly). Apart from that, the parent company has minority share in two companies.

The companies within the Group are legally independent, and the parent company supervises them in line with the Companies Act.

Grupa Đuro Đaković

1.2. Management Board

The Management Board of the company Đuro Đaković Holding d.d. consists of two members:

- **Tomislav Mazal**, President of the Management Board
- **Marko Bogdanović**, member of the Management Board

1.3. Supervisory Board

According to the Statute, the Supervisory Board consists of seven members. Five members are elected at the General Assembly, one member is appointed by the State Administrative Office for State Property Management (DUUDI), and another one is appointed in accordance with the Labour Act. Based on the provisions of the Companies Act and the Statute of Đuro Đaković Holding d.d., the General Assembly makes decisions on the election and revocation of the Supervisory Board.

At the General Assembly session held on 29 June 2015, the following members of the Supervisory Board were elected:

- **Vjekoslav Leko**, President of the Supervisory Board
- **Domagoj Bartek**, member
- **Vjekoslav Galzina**, member
- **Igor Žonja**, member
- **Miroslav Karamarković**, member
- **Milan Stanić**, member
- **Blaženka Luketić**, member

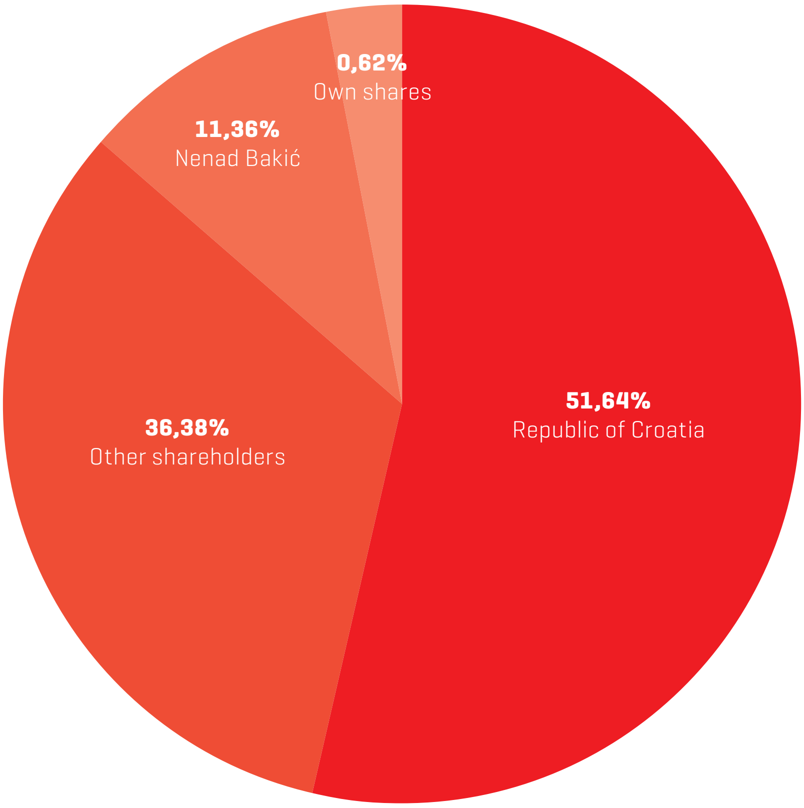
1.4. Stock capital and ownership structure of Đuro Đaković Holding d.d.

The Company's stock capital amounts to 151,933,860.00 kuna and consists of 7,596,684 regular shares with nominal value of 20.00 kuna. Each share bears the same rights. The voting right encompasses all Company's shareholders in a way according to which the number of votes that belong to them in the General Assembly equals the number of their shares.

Ownership structure of Đuro Đaković Holding d.d. on 31 December 2015

Shareholder	Number of shares	Capital	% of share in capital
STATE ADMINISTRATIVE OFFICE FOR STATE PROPERTY MANAGEMENT (0/1) / THE REPUBLIC OF CROATIA (1/1)	3,079,233	61,584,660	40.53
BAKIĆ NENAD (1/1)	862,670	17,253,400	11.36
STATE ADMINISTRATIVE OFFICE FOR STATE PROPERTY MANAGEMENT (0/1) / HZMO (1/1)	660,000	13,200,000	8.69
HYPO ALPE-ADRIA-BANK D.D./ PBZ CO OMF - CATEGORY B (1/1)	288,740	5,774,800	3.80
PBZ D.D./PBZ-SP	210,291	4,205,820	2.77
CERP (0/1) Republic of Croatia (1/1)	184,035	3,680,700	2.42
STATE ADMINISTRATIVE OFFICE FOR STATE PROPERTY MANAGEMENT (0/1) / STATE AGENCY FOR DEPOSIT INSURANCE AND BANK RESOLUTION (1/1)	104,771	2,095,420	1.38
ĐURO ĐAKOVIĆ HOLDING D.D. (1/1)	46,993	939,860	0.62
INTERKAPITAL VRIJEDNOSNI PAPIRI D.O.O./COLLECTIVE CUSTODY ACCOUNT FOR DF	28,642	572,840	0.38
OTP BANKA D.D./INS683	22,130	442,600	0.29
OTP BANKA D.D./INE805	22,000	440,000	0.29
Primorska Bank d.d. Rijeka/collective account for clients	17,892	357,840	0.24
Small shareholders (the rest)	2,069,287	41,385,740	27.24
Total	**7,596,684**	**151,933,680**	**100**

Ownership structure of Đuro Đaković Holding d.d.



On December 31, 2015 5,737 shareholders in total were registered in the shareholder's book of Đuro Đaković Holding d.d., which is 1,613 shareholders more than on December 31, 2014

Companies in majority ownership of Đuro Đaković Holding d.d. (in kuna)

Company	Subscribed capital	Subscribed capital of parent company	% of parent company's ownership
ĐĐ Industrijska rješenja d.d.	30,453,900	29,517,600	96.93
ĐĐ Specijalna vozila d.d.	160,351,200	160,086,800	99.83
ĐĐ Strojna obrada d.o.o.	10,307,000	10,307,000	100
ĐĐ Energetika i infrastruktura d.o.o.	31,728,000	30,952,200	97.55
ĐĐ Slobodna zona d.o.o.	1,317,000	1,117,000	84.81
Total	**234,157,100**	**231,980,600**	**99.07%**

2. Description of products and services

Đuro Đaković Group is characterised by diversified industrial portfolio placed by the Group through the business market segments of Defence, Transport, Industry and Energetics.

2.1. Defence

The business segment Defence is the main Croatian supplier of tanks and combat vehicles, as well as a provider of complete support during the life cycle and all manners of maintenance for the products from its portfolio.

Products and services

- production of armoured modular vehicles AMV 8x8, of open architecture, adjusted to clients' specific demands, including integration of weapon systems and the accompanying special equipment selected by the customer;
- maintenance of AMV 8x8 vehicles,
- development, production and/or integration of new, NATO interoperable systems of new generation, projected for the enhancement of the existing M-84/T-72 tanks and/or integration of new tanks

2.2. Transport

Products and services

- production of cargo cars for various types of goods. The company uses contemporary methods of design and it is equipped for independent development of new types of cars, including the capability of adjustment of the existing cars to the specific needs of the clients (custom-design).
- servicing and maintenance of cargo cars, as well as production of railway wagon components.

2.3. Industry and energetics

The business segment of Industry and energetics offers and performs engineering services: planning, designing and project management, procurement, construction and putting into operation plants, their maintenance and service, as well as making and mounting parts and components. We offer services and we perform works in the fields of:

- Industrial plants for oil and gas
- Chemical and petrochemical industry

Battle tank M-84

- Power generation plants
- Food industry
- Cement industry
- Metallurgy

Apart from the stated above, Đuro Đaković participated in a significant number of projects in Croatia in terms of construction, provision of services and maintenance of metal bridge constructions, viaducts and overpasses, and with the development of the petrochemical industry, the company also participated in the construction of petrochemical plants in the region of South-eastern Europe (Sisak, Rijeka, Bosanski Brod).

Today Đuro Đaković offers services of installation of new equipment into oil refineries, as well as reconstruction of existing plants.

Products and services

- services of constructing and mounting electric power plants, petrochemical and industrial plants,
- construction of metal bridges, steel constructions and high rise objects (viaducts, overpasses etc.) and of accompanying infrastructure.

3. Business Activities of Đuro Đaković Group, January - December 2015

The restructuring process started in late 2014 is defining the business activity of Đuro Đaković Group in 2015. The achieved results are largely in compliance with the published financial plan for the period of 2015-2019.

Compared to the unaudited annual financial statements published at the stock exchange, the total loss has been increased by 4.2 million Croatian kuna (HRK). Working with an auditor and guided by the principle of caution, additional provisions have been set aside for potential expenses in the amount of HRK 3.1 million, and the income reduced by HRK 1 million.

The total business income has been achieved in the amount of HRK 395 million and negative EBITDA in the amount of HRK 30 million and the total loss in the amount of HRK 63.8 million.

Compared to the previous year, 3.4% higher income has been achieved, EBITDA was improved by 52% (in 2014, EBITDA was negative in the amount of HRK 62.6 million); and the total loss has been decreased by HRK 32.3 million (33.6%).

The basic reasons for the negative business results are reflected in the following circumstances:

- inadequate utilisation of facilities;
- egative production calculations;
- losses in major projects;
- restructuring expenses;
- absence of planned defence segment contracts;
- high financial expenses.

Inadequate utilisation of the facilities is pronounced in transport and defence market segments associated with production in ĐĐ Specijalna vozila company. This company declares the loss in the amount of HRK 28.2 million. Utilisation of the facilities was nonetheless improved and the company has reduced the loss in comparison to the previous year by HRK 20.2 million.

The negative production calculations are the main cause of the losses generated in ĐĐ Elektromont and ĐĐ Proizvodnja opreme companies. The losses generated by the two companies amount to HRK 20.8 million. In August, these companies have been acquired by ĐĐ Industrijska rješenja company and unprofitable activities [electrical installations] and individual unprofitable programmes have been ceased since. This action prevented further losses in the above production activities and positive effects of investments in technological upgrades are expected.

Losses generated by projects contracted in 2013 and early 2014 amount to a total of HRK 10.7 million. Namely, the aforementioned projects (INA "Blowdown", INA "Vučkovec" and INA "Vukanovec") are turnkey projects near their completion. Planned expenses have been exceeded in the final stages of the projects due to circumstances that were unforeseen when the contracts were concluded.

Đuro Đaković Group does not have any projects contracted in this manner and such situations are no longer expected.

Absence of planned work in the defence market segment is the principal reason for the shortfall of the planned income compared to the long-term financial plan. The Group planned to produce and sell 11 armoured fighting vehicles worth approximately HRK 170 million in late 2015 and there was significant lost income due to the failure to perform the works.

The decisions in tender procedures where ĐĐ Group participates independently or in cooperation with its partners were rescheduled by potential buyers to 2016.

Restructuring expenses incurred in 2015 were also high and reflected in severance payments to employees. In 2015, HRK 8.3 million of severance pay was paid to employees. Also, wages paid to employees of Đuro Đaković Group within their termination notice period amounted to HRK 7.5 million. On 31 December 2015, Đuro Đaković Group had 125 fewer employees than on 31 December 2014.

This period is also characterised by high **financial expenses** which grew by HRK 2.9 million compared to the previous year.

Nonetheless, year 2015 was crucial for the restructuring since planned steps have been taken designed to lead to sustainable and stable operations in the long term of the entire ĐĐ Group allowing development.

The restructuring has been performed in multiple fields:

Optimisation of the organisational structure

Optimisation of the organisational structure has been completed in 2015. The Group focused on ĐĐ Proizvodnja opreme d.o.o. and ĐĐ Elektromont d.d. companies which generated losses and they were acquired by ĐĐ Industrijska rješenja d.d. company, and the acquisition was followed by organisational and operational restructuring processes.

ĐĐ Elektromont d.d. and ĐĐ Proizvodnja opreme companies have concluded their operations on 27 August 2015 and they generated a total of HRK 26.1 million of losses (ĐĐ Elektromont's loss of HRK 12.9 million, and ĐĐ Proizvodnja opreme's loss of HRK 13.2 million).

The role of ĐĐ Holding d.d. as the parent company has been redefined, which led to a considerable reduction in the number of Holding employees and merger of key competences in the new company, particularly prominent in the management of large industrial projects and market access in terms of securing more profitable work projects (ĐĐ Elektromont and ĐĐ Proizvodnja opreme companies had negative calculations for individual products).

Focusing of the production and services on key competences of the company

In the course of the year, in the field of production, and in accordance with the restructuring plan, the Group separated and ceased unprofitable activity of electrical installation that generated significant losses throughout the year (ĐĐ Elektromont, HRK 12.9 million). Likewise, the restructuring process encompassed the other loss-making company (ĐĐ Proizvodnja opreme, HRK 13.2 million) where unprofitable programmes have also ceased and significant changes were made in terms of the technological and organisational structure.

Insufficient utilisation of facilities is the most prominent problem of ĐĐ Specijalna vozila company that therefore recorded a loss in the amount of HRK 28.2 million. This loss has been reduced compared to the previous year by HRK 20.2 million; therefore, the first effects of restructuring are observable in this segment nonetheless. Considering the contracts awarded in the market segment (defence and transport) covered by this company, full utilisation of the facilities is expected in 2016.

Other companies within the Group (ĐĐ Energetika i infrastuktura and ĐĐ Strojna obrada) do not represent the core business of the Group and the Management Board of ĐĐ Holding started the process aimed at finding a strategic partner for the aforementioned companies in 2015.

Technical and technological modernisation of production

The level of technological obsolescence and lack of capacity for profitable production demanded significant investments in its production plants started by the Group in the previous and this year. All the investments have been performed through procurement of new or reconstruction of the existing equipment. The full effect of the improvement of profitability of the production calculations is expected in 2016.

The Company	Amount
ĐĐ Specijalna vozila	HRK 35,801,368.37
ĐĐ Industrijska rješenja	HRK 52,225,820.11
ĐĐ Strojna obrada	HRK 6,674,448.49
ĐĐ Energetika i infrastuktura	HRK 382,608.56
ĐĐ Grupa	HRK 2,747,442.73
Total	**HRK 97,831,688.26**

Optimisation of production and support function employees

The optimisation process encompassed all members of the Group. In the course of the restructuring process, since 30 June 2014, the total number of employees was reduced by 249 (from 1,142 employed on 30 June 2014 to 872 employed on 31 December 2015).

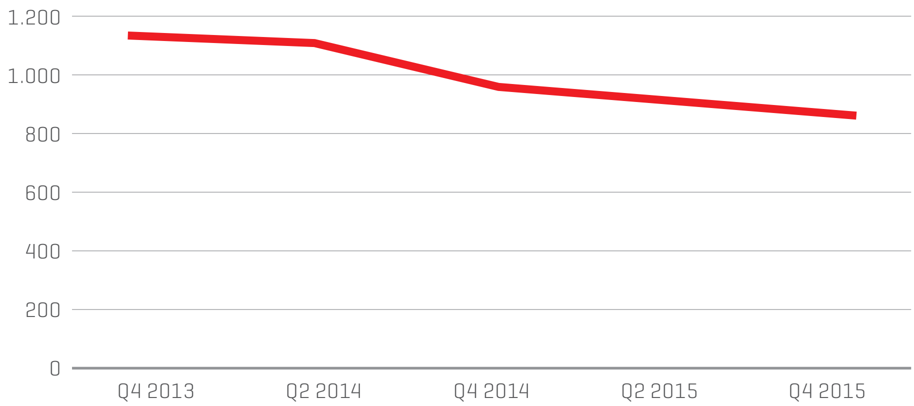
The cost of severance pay provided for this purpose in 2015 amounts to HRK 8.3 million. We point out that an additional HRK 9 million of severance pay was paid in 2014 and this adds to the total of HRK 17.28 million invested in the optimisation of employees.

It should also be pointed out that the employees who left the Group in 2015 were paid an additional HRK 7.5 million through wages paid during their termination notice period.

As the result of the implemented measures, in 2015, the cost of labour was reduced by HRK 18 million (15.4%) compared to 2014.

This trend is expected to continue in the following year.

Review of number of employees



The above optimisation measures resulted in a significant increase of productivity, as presented in the table indicating income per employee, both total (improved by 18.5%) and export per employee (improved by 26.3%).

	2014	2015
Number of employees	**997**	**872**
Total business income	381,986,591	395,015,795
Total export	107,388,000	120,751,290
Income per employee	383,136	453,000
Export per employee	107,711	138,476

Production of
renewable energy
components

Financial restructuring

Considering the planned losses incurred by the Group in this year, the liquidity issues were addressed in cooperation with financial institutions and this resulted in higher financial expenses than in 2014 – by HRK 2.9 million.

ĐĐ Holding also continued the financial restructuring processes in 2015 by increasing share capital of ĐĐ Specijalna vozila d.d. company in the amount of HRK 84.5 million, thereby reinforcing the daughter company's capital base.

The losses are also the cause of the low rate of own funding of the business activities, but this should be improved significantly in the following period.

In conclusion, year 2015 represents a turning point when Đuro Đaković Group has completely changed its approach to all business segments and it is fully prepared for a market approach that will ensure its sustainable growth and development in the long term.

4. Significant events in the 4th Quarter of 2015

09.11.2015 In the companies owned by Đuro Đaković Holding d.d., specifically Đuro Đaković Specijalna vozila d.d. and Đuro Đaković Industrijska rješenja d.d., at General Assemblies held on 30 October 2015, changes have been made concerning corporate governance whereby the above joint stock companies transferred from monistic to dualistic governance system, rendering the Management Board and the Supervisory Board of the Company the bodies of the company. The Articles of Incorporation of the above companies have been amended accordingly.

25-26.11.2015 Reported acquisition of shares by a member of Đuro Đaković Holding d.d. Management Board, Mr. Marko Bogdanović. On 24 November 2015, the member of the Management Board of the Company purchased, through the Zagreb Stock Exchange, a total of 1,000 shares of Đuro Đaković Holding d.d. company at the price of HRK 22.50 per share representing 0.0132% of voting rights with the Issuer. Following the above acquisition, Mr. Marko Bogdanović possesses 1,000 shares of the Company, representing 0.0312% of share capital of the above Company. On 26 November 2015, Mr. Tomislav Mazal, the President of the Management Board of the Company purchased, through the Zagreb Stock Exchange, a total of 732 shares of Đuro Đaković Holding d.d. company at the price of HRK 22.30 per share representing 0.0096% of voting rights with the Issuer. Following the above acquisition, Mr. Tomislav Mazal possesses 3,344 shares of the Company, representing 0.044% of share capital of the above Company.

08.12.2015 Pursuant to Decision of Đuro Đaković Holding d.d. Management Board of 1 December 2015 to initiate the procedure of the sale of its stake in Đuro Đaković Energetika i infrastruktura d.o.o. company following prior consent of the Supervisory Board of Đuro Đaković Holding d.d. of 14 September 2015, Đuro Đaković Holding d.d. published: A public call for statements of interest in purchase of Đuro Đaković Holding d.d. stake in Đuro Đaković Energetika i infrastruktura d.o.o. company through the collection of indicative (non-binding) offers.

08.12.2015 Pursuant to Decision of Đuro Đaković Holding d.d. Management Board of 1 December 2015 to initiate the procedure of sale of its stake in Đuro Đaković Strojna obrada d.o.o. company following prior consent of the Supervisory Board of Đuro Đaković Holding d.d. of 14 September 2015, Đuro Đaković Holding d.d. published: A public call for statements of interest in purchase of Đuro Đaković Holding d.d. stake in Đuro Đaković Strojna obrada d.o.o. company through the collection of indicative (non-binding) offers.

11.12.2015 Đuro Đaković Industrijska rješenja d.d., a company within Đuro Đaković Group and Viadukt d.d., Kranjčevićeva 2, Zagreb, signed a contract on the performance of a portion of works concerning the construction of the Mainland – Čiovo Island Bridge and access roads and installations

11.12.2016 Manufacture of a part of the steel span structure between pier S10 and abutment U15, in the total value of HRK 11,827,500.00.

16.12.2015 On 16 December 2015, Đuro Đaković Holding d.d. and Brod-Posavina County, P. Krešimira IV 1, concluded a contract on the purchase and transfer of stake in Slobodna zona Đuro Đaković Slavonski Brod d.o.o. company whereby Đuro Đaković Holding d.d. acquired business stakes representing 15.19% of share capital of Slobodna zona Đuro Đaković Slavonski Brod d.o.o. company. Đuro Đaković Holding d.d. has an interest in becoming the sole stakeholder in Slobodna zona Đuro Đaković Slavonski Brod d.o.o. company in order to facilitate the use of the company's resources and to ensure that its resources are optimally used within Đuro Đaković Group. Therefore, the relevant contract was concluded with this purpose and within the framework of implementation of the overall restructuring of Đuro Đaković Group.

Cement plant mill shell

5. Significant events after the end of the 4th quarter

07.01.2016 Đuro Đaković Holding d.d., as the lead partner and consortium members (Đuro Đaković Industrijska rješenja d.d., Đuro Đaković Specijalna vozila d.d. and Gradnja d.o.o.) signed Contract no. N-644/15 with the client, Jadranski naftovod d.d., on the construction of two oil derivative tank farms at the Omišalj Terminal. The total value of the aforementioned contracts is HRK 163,822,258.08.

07.01.2015 Public statement: Due to the public interest and in relation to news articles in individual media, Đuro Đaković Holding company hereby wishes to inform the public, in unambiguous terms, about significant facts related to the cooperation between Kongsberg company in the production of remotely controlled middle calibre turret MCT- 30 Protector (Middle Calibre Turret 30 mm). According to publicly available information at KONGSBERG Protech Systems company website, MCT-30 Protector turret has been selected as the weapons system for the repurposing of Stryker armoured vehicles operated by the US forces in Germany. Đuro Đaković has signed an Agreement on cooperation in the fields of development, marketing and production of this weapons system with KONGSBERG. The scope of Đuro Đaković's participation in the production of components for the performance of the above works has not yet been defined or contracted and it does not depend on the results of the tender concerning the equipment of vehicles by the Ministry of Defence of the Republic of Croatia. Đuro Đaković is participating in the MoD's tender procedure concerning fitting the middle calibre systems on Patria AMV 8x8 vehicles. It is important to point out that each army has its specific properties and corresponding tactical and technical requirements, and Đuro Đaković is offering the Croatian Army the MCT-30 system in accordance with the requirements published in the procurement notice. The tender procedure is in progress and we expect to receive the results in 2016. Đuro Đaković is cooperating with Kongsberg regarding the system and it also participates in tender procedures in other countries. In the past, Đuro Đaković developed special and close relations with the MoD and the Armed Forces of the Republic of Croatia and it had full support of their top-ranking personnel concerning its projects. We wish to continue this collaboration in the future as well, also keeping in mind the significant ĐĐ Holding ownership stake held by the Republic of Croatia. We believe in continued collaboration and recognisability of Đuro Đaković in high-quality production. Đuro Đaković Holding shall continue to inform the public on all important facts concerning all its projects in a timely manner, providing comprehensive information.

6. Share

Đuro Đaković Holding d.d. shares are listed at the Zagreb Stock Exchange (ZSE) and traded in regular transactions. A total of 7,596,684 shares of HRK 20.00 nominal value each have been issued.

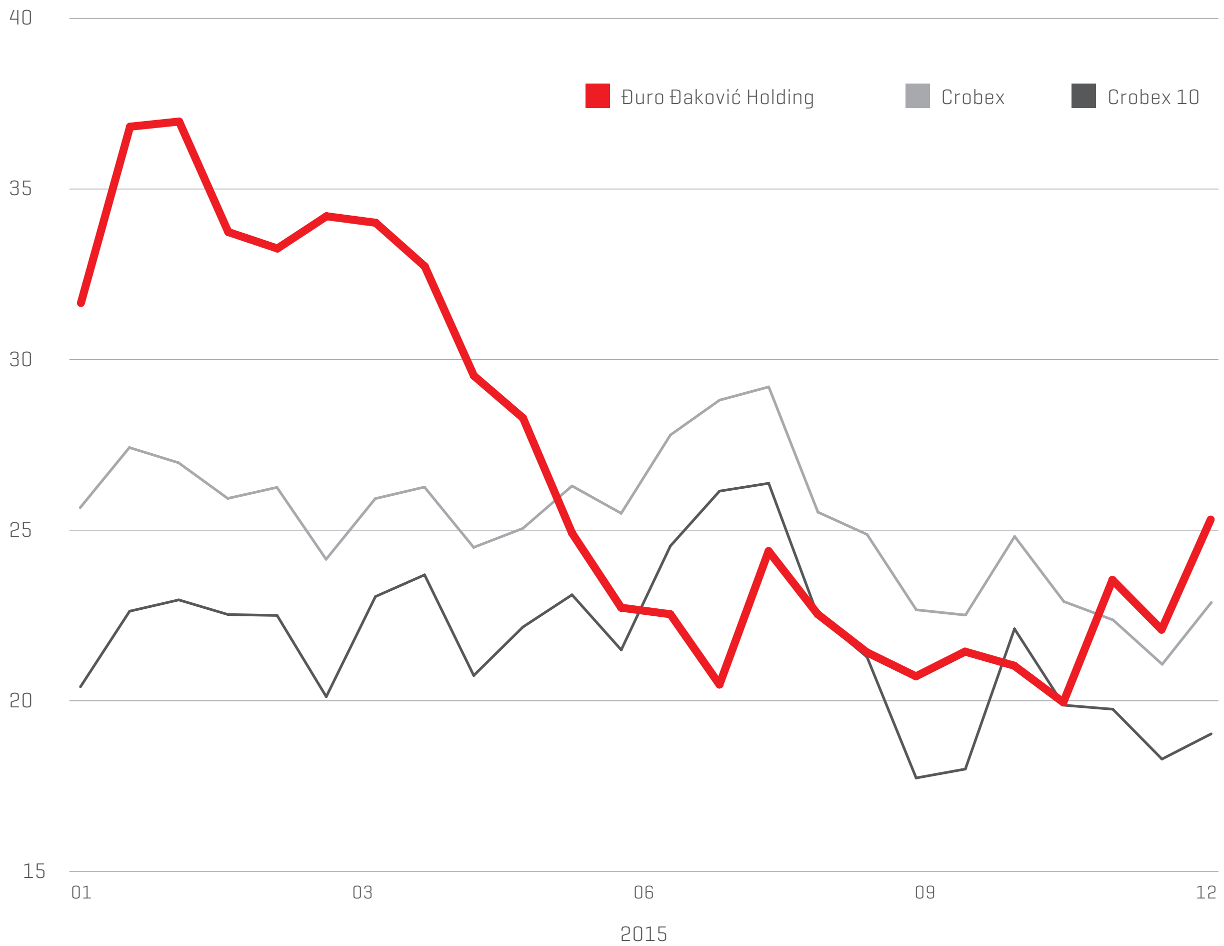
In 2015 the total trade of Đuro Đaković Holding shares amounted to HRK 34 million: i.e. 1,147,402 shares were traded: representing 15.1% of the total number of issued shares. The average price of the share was HRK 29.62.

The highest achieved share price was HRK 43.38 and the lowest price of the share was HRK 20.30.

In the analysed period: the Company's share price dropped by 19.3% while CROBEX and CROBEX 10 indices recorded a drop of 2.9% and 1.1% respectively in the relevant period.

On 28 October 2013: the Company has concluded a contract on the performance of specialist works pertaining to the regular Đuro Đaković Holding d.d. shares at the Zagreb Stock Exchange with Erste&Steiermarkische bank d.d.

Changes of Đuro Đaković Holding share price and the CROBEX and CROBEX 10 indices



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Date	Average price	% of change	Quantity	Trade volume
30.12.2015	**26.46**	0.49	11,026.00	291,768.62
15.12.2015	**23.25**	-4.42	4,504.00	104,696.43
30.11.2015	**24.7**	7.3	28,976.00	715,787.92
16.11.2015	**21.13**	-1.45	2,801.00	59,171.35
30.10.2015	**22.2**	1.64	4,499.00	99,883.41
15.10.2015	**22.61**	3.05	3,650.00	82,525.54
30.9.2015	**21.89**	-0.41	3,084.00	67,521.10
15.9.2015	**22.59**	1.4	2,802.00	63,297.92
31.8.2015	**23.7**	-5.43	2,223.00	52,677.45
14.8.2015	**25.54**	1.19	6,774.00	172,998.07
31.7.2015	**21.65**	-5.64	3,697.00	80,052.79
15.7.2015	**23.7**	4.62	3,950.00	93,620.19
30.6.2015	**23.89**	0.13	791	18,900.59
15.6.2015	**26.06**	4.34	2,880.00	75,050.25
29.5.2015	**29.42**	0.34	550	16,181.67
15.5.2015	**30.65**	-2.02	509	15,601.41
30.4.2015	**33.84**	-0.03	489	16,546.13
15.4.2015	**35.11**	-1.01	1,848.00	64,876.48
31.3.2015	**35.3**	5.56	3,028.00	106,894.14
16.3.2015	**34:36**	5.77	1,344.00	46,173.26
27.2.2015	**34:84**	-6.11	5,304.00	184,765.50
30.1.2015	**38.06**	-0.35	12,722.00	484,233.54
15.1.2015	**37.91**	3.26	6,477.00	245,545.93
2.1.2015	**32.77**	-2.28	415	13,600.08

7. Expectations in 2016

In accordance with the document published at the ZSE (Strategy and restructuring and 2015-2019 financial plan) on 20 November 2014, the Company's Management Board also drafted 2016 business plan guidelines.

The full effects of the implemented restructuring measures are expected in 2016, as well as achieving a positive business result. The Business Plan for 2016 differs from the long-term plan in that the more significant investor decisions on more significant contracts in the defence segment are scheduled differently than planned in the Strategy. However, the lack of full utilisation of facilities in this segment is compensated by additional sales and production in the transport segment.

Works contracts

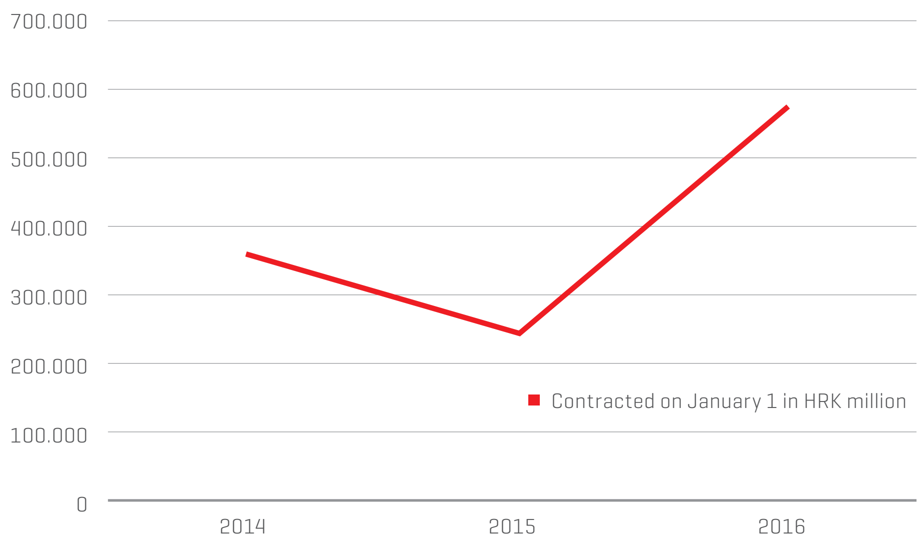
As of 1 January 2016, the value of signed contracts of the Đuro Đaković Group amounted to HRK 575.2 million. Taking into account the beginning of the year and the state of potential works, an optimal use of capacities is expected during 2016.

In addition to the contracted works, the Group expects the transport segment exports to grow by 100% from year 2015. In the defence segment, the Group expects commencement of at least one export contract in the first half of 2016.

In the industry and energy segment, the Group has already achieved sufficient utilisation of facilities for the entire year and considering the completion of the projects that were contracted under unfavourable terms in previous years, loss is not expected from any project.

For other companies, the Group expects to find a strategic partner to continue operations and an additional source of capital for the Group's operations.

Contracts signed as of 1 January of three previous years



Largest contracts with outstanding amounts remaining to be performed

Market segment	Investor/project	Contract value in thousands of HRK
Defence	military programme	14,463
Transport	freight railway cars	94,018
Industry and energy	JANAF d.d. / "Omišalj"	163,822
Industry and energy	HEP d.d. / "BE TO Sisak"	108,624
Industry and energy	HEP d.d. / "BE TO Osijek"	123,635
Industry and energy	Viadukt d.d. / "Čiovo Bridge"	11,828
Industry and energy	INA d.d. / "Vukanovec"	6,042
Industry and energy	INA d.d. / "Vučkovec"	2,154
Industry and energy	INA d.d. / "Blowdown"	1,024
Industry and energy	total minor contracts	13,133
ĐĐ Strojna obrada	total minor orders	17,095
ĐĐ Energetika i infrastuktura	total minor contracts	19,370
Total contracts		**575,208**

Planned income and EBITDA

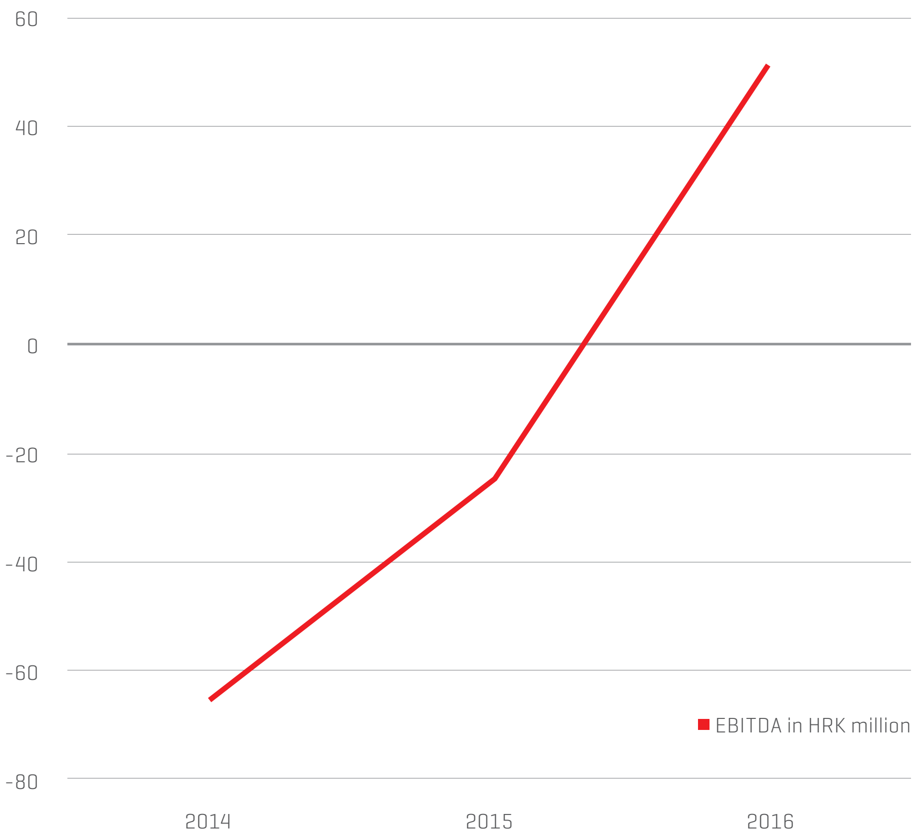
Based on the current situation, the Group has developed a business income plan in the amount of HRK 700 million. The total business income includes planned export in the amount of HRK 333 million (47.6%).

Also, the planned EBITDA amounts to HRK 50.6 million, i.e. the EBITDA margin equals 7.23%. The total planned net profit amounts to HRK 11.25 million.

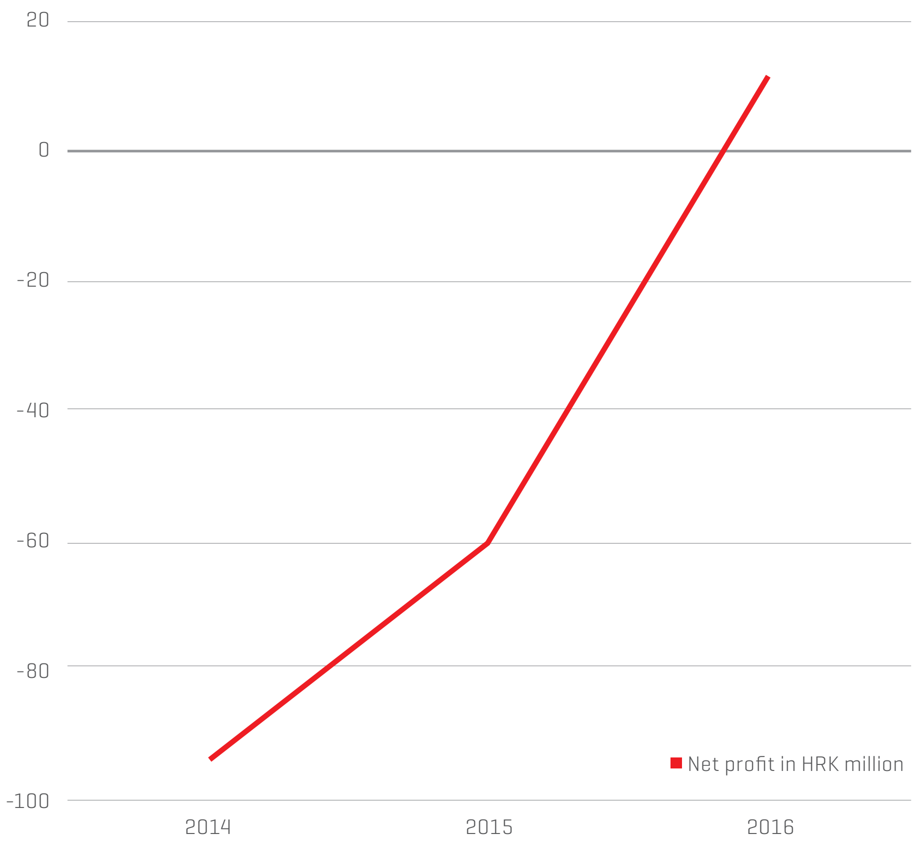
Level of planned income, EBITDA and net profit by quarter

Item name	1st quarter	2nd quarter	3rd quarter	4th quarter	Total 2016, in thousands of HRK
BUSINESS INCOME	108,236	169,329	171,406	251,237	700,208
EBITDA	**-2,382**	**11,039**	**21,029**	**20,907**	**50,593**
EBITDA margin	-2.20%	6.52%	12.27%	8.32%	7.23%
NET PROFIT/LOSS	**-11,567**	**687**	**10,470**	**11,656**	**11,247**
NET margin	-10.69%	0.41%	6.11%	4.64%	1.61%

EBITDA in 2014 and 2015 and the plan for year 2016



Net profit in 2014 and 2015 and the plan for year 2016



Human resources plan

In 2016, no greater changes of the total number of employees, compared to year 2015, are planned

Company	Number of employees
Specijalna vozila	423
Industrijska rješenja	250
Strojna obrada	141
Energetika i infrastruktura	27
Holding	35
Total	**876**

All the planned and hitherto implemented restructuring measures should produce results whereby 2016 should be the year when positive business results are achieved and the conditions for stable long-term business activity of the entire Group are achieved.

8. Other

8.1. Development of products and production

An integral part of the long-term business policy of Đuro Đaković Group is development and/or adoption of new products based on own development or in cooperation with partners as well as the adoption of new technologies in the production process.

8.2. Exposure to risks and risk management

The company monitors risks associated with currency, interest and credit risks, as well as liquidity risk and it seeks to diminish their potential effect on financial exposure of the company.

Based on the current Group governance system, significant risks associated with the performance of contracts are controlled in individual companies, especially costs arising from material and equipment expenses and the cost of outsourced services.

The company uses mortgages, debentures and other financial instruments designed to secure payments that are significant for the assessment of risks.

8.3. Employees

On 31 December 2015, Đuro Đaković Group companies had a total of 872 employees.

8.4. Quality and the environment

We pay constant attention to improving the quality of our products, satisfaction of customers and all interested parties, environmental protection, protection of health, occupational safety and consumption of energy.

This is witnessed by management system certificates (in accordance with EN ISO 9001, EN ISO 14001 and BS OHSAS 18001) possessed by all the companies within the ĐĐ Group. The companies also possess required specialist certificates applicable to processes they are engaged in and which are required in their line of work and those applicable to products where the market demands them.

Construction of heat accumulator and
reconstructing the heating system of
the thermal power plant –TE- TO Zagreb

II Analysis of Đuro Đaković Holding d.d. and Đuro Đaković Group performance

Armoured wheeled vehicle Patria

1. Key indicators

In quarters 1 through 4 of 2015, Đuro Đaković Group generated total revenue in the amount of HRK 397.7 million. At the same time, negative EBITDA has been achieved in the amount of HRK 30 million, and EBITDA margin of -7.59%. However, it is important to emphasise that EBITDA has improved by more than HRK 35.6 million compared to the previous year. When analysing the 4th quarter alone, then EBITDA is negative at HRK -13.7 million. Since the losses in major projects, registered in the 4th quarter and pertaining to the projects contracted in late 2013, amount to HRK 10.7 million, as well as the one-off item of severance pay, it may be concluded that the 4th quarter would also exhibit a positive EBITDA.

Considering the restructuring measures, a continuation of this trend is expected. Due to the high cost of the restructuring, the achieved negative EBITDA is within the planned range.

Key indicators, January - December 2015

Total income
in 2015 grew compared to 2014 by HRK **14.5 million (an increase of 3.8%)**

Growth of export
compared to the previous **year by HRK 13.7 million (12.8%)**

Share of the export
31% in the total business income

Structure of the loss, 2015

Underused capacities
ĐĐ Specijalna vozila HRK **17.3 million**

Severance pays paid
and termination notice periods **HRK 15.8 milion**

Losses on projects
contracted in late 2013 **HRK 10.7 million**

Negative production calculations
in programmes restructured in 2015 HRK **20.8 million**

Negative EBITDA
for Q4 due to costs of big projects and severance pays costs

EBITDA
improved compared to 2014 by **HRK 35.6 million (improvement by 54.26%)**

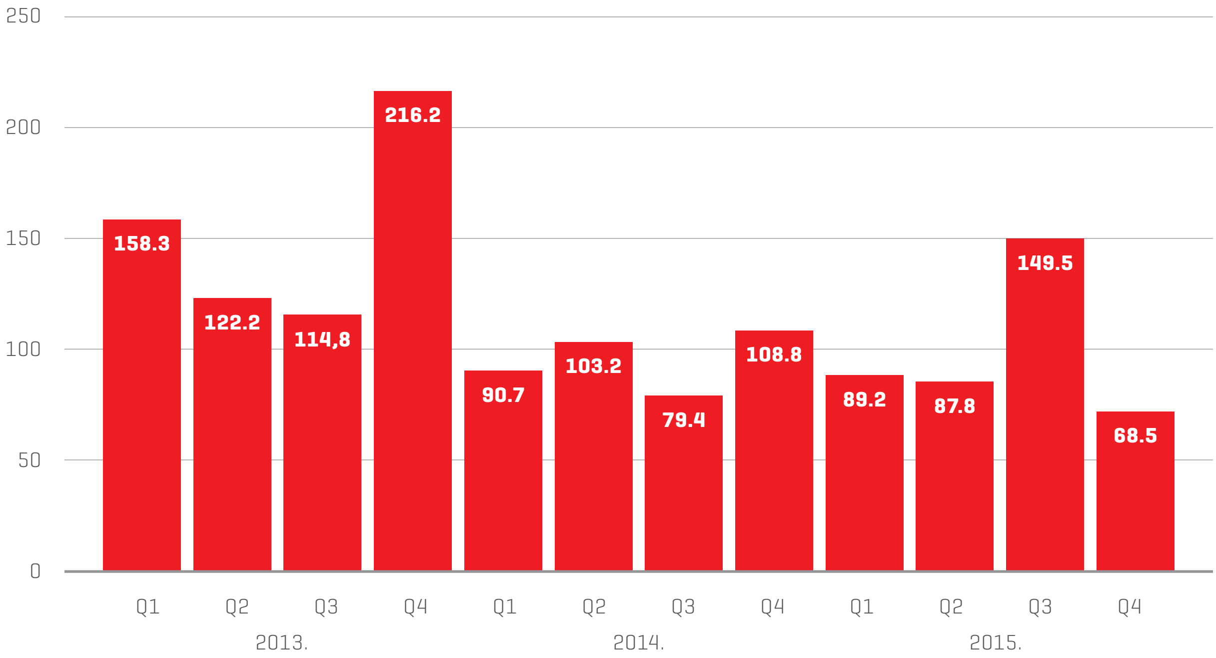
Payroll costs declined
15.4% compared to the year before

Number of employees
decreased by **125 employees** year-on-year

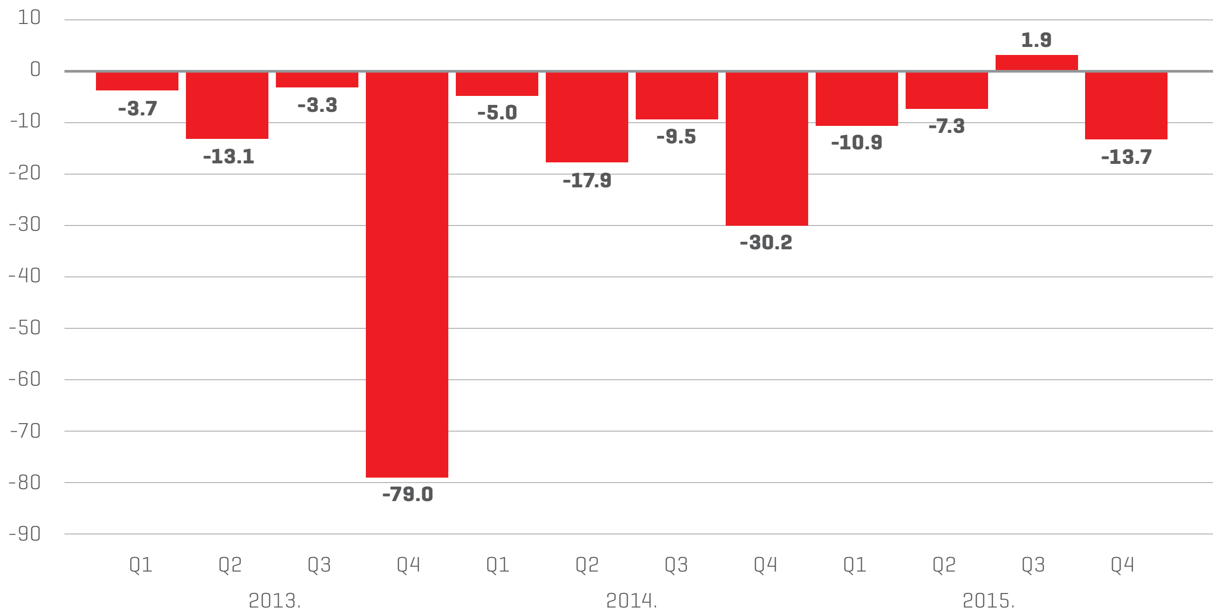
Improved term of liabilities
(long-term liabilities exceed **50% of total liabilities**)

Business income and EBITDA trends by quarters of 2013, 2014 and 2015

Business income levels (in HRK million)



EBITDA levels (in HRK million)



We particularly emphasise that the negative effect recorded in the 4th quarter, in the amount of HRK 10.7 million, is generated by the projects contracted in late 2013 that have caused the negative EBITDA.

Key indicators, January - December 2014 / January - December 2015

Income, EBITDA, EBIT (in HRK million)

ĐĐ Grupa	**Jan-Dec 2014**	**Jan-Dec 2015**
Business income	382	395
EBITDA	-65.6	-30
EBITDA (%)	-17.17%	-7.59%
EBIT	-83.6	-49.9
EBIT (%)	-21.88%	-12.63%

Equity ratio (in HRK million)

	31.12.2014	**31.12.2015**
Own capital	64,360	496
Own sources	**12.47%**	**0.10%**
Long-term liabilities	181,204	255,250
Short-term liabilities	270,357	253,920
Other sources	**87.53%**	**99.90%**
Total liabilities	**515,921**	**509,666**

Working capital (in HRK million)

Working capital	**31.12.2014**	**31.12.2015**
Stocks	121,171	96,017
Accounts receivable	67,083	72,221
Cash	53,185	37,434
Accounts payable	143,387	111,294
Short-term liabilities towards financial institutions	73,723	74,611
Working capital	**24,329**	**19,767**
Other claims	20,781	8,389
Other current assets	7,792	19,364
Other short-term liabilities	38,403	63,384
Deferred payment of expenses and deferred income	14,845	4,631
Net working capital	**-346**	**-20,495**

The Group has improved its indicators pertaining to EBIT and EBITDA margins that are several times better than in the previous year.

Group's working capital is at a similar level to the one observed in the previous period, while net working capital is somewhat poorer.

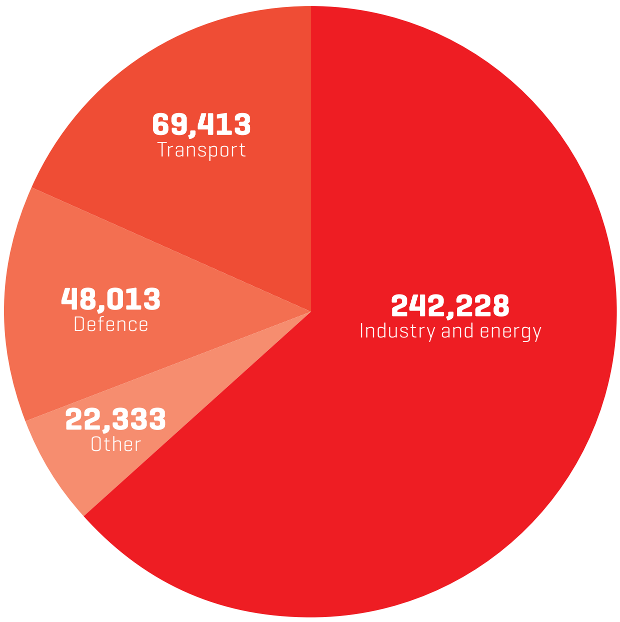
At the same time, due to the losses, the ratio of the sources of funds is poor, therefore the Group has markedly few own funds in the sources. The ratio of long-term and short-term liabilities is more favourable Falns type railway freight car compared to the previous period.

Cargo wagon type Falns

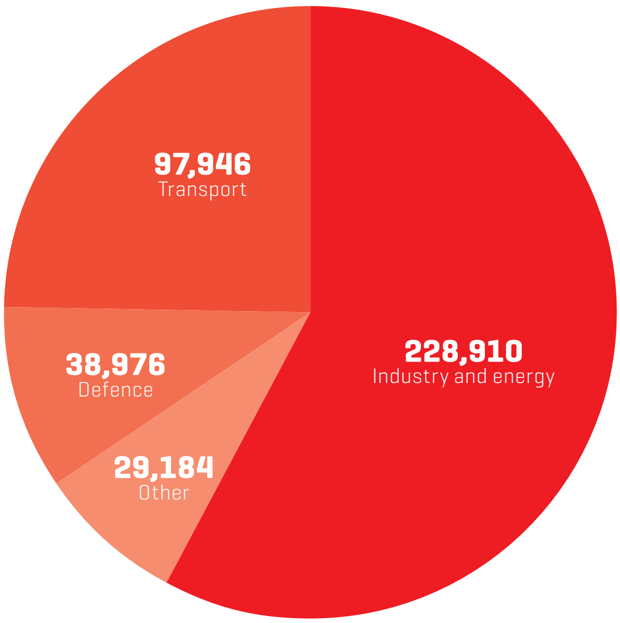
2. Income structure

In 2015, ĐĐ Group succeeded in stopping the trend of diminishing income compared to the previous periods. The greatest increase of income was recorded in the transport segment (an increase by 41% or HRK 28.5 million compared to 2014).

Structure of income in 2014 (in thousands of HRK)



Structure of income in 2015 (in thousands of HRK)



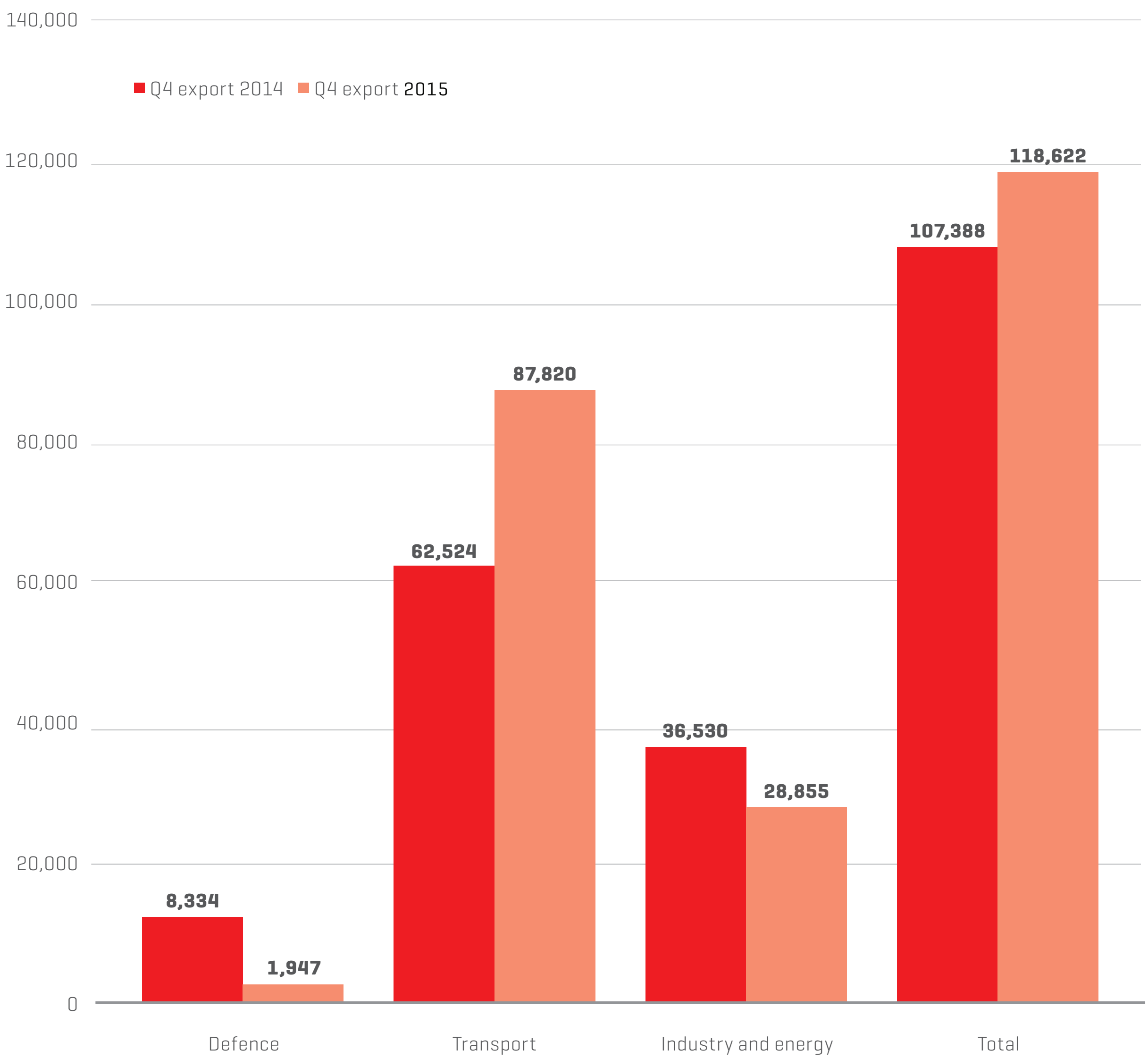
Proportion of income in the defence segment decreased from 12.97% in 2014 to 9.84% in 2015.

The transport segment exhibited growth of income in 2015 both in absolute value and in terms of proportion in the total income.

In 2015, the industry and energy segment exhibited a reduction of income by HRK 13.3 million (5.4%) compared to 2014 and, due to the marked growth of the income generated by the transport segment in 2015, the proportion of the income generated by the industry and energy segment in the total income is somewhat lower (57.8% of the total business income).

The transport segment exhibited a marked growth of export in the analysed period, while the defence and industry and energy segments experienced a decline of export income. A review of exports by market segment is provided below:

Structure of export in 2014 and 2015 (in thousands of HRK)



3. Cash flow

The minimum decrease of the total net cash flow as a consequence of the loss recorded in 2015 (in thousands of HRK)

	Jan-Dec 2014	Jan-Dec 2015
Profit	-96,149	-63,864
Change of cash flow from business activities	-86,134	2,278
Net cash flow from business activities	-182,283	-61,586
Net cash flow from investment activities	29,086	-32,075
Net cash flow from financial activities	63,070	77,855
Total net cash flow	**-90,127**	**-15,806**
Cash and equivalents at the beginning of the period	143,366	53,240
Cash and equivalents at the beginning of the period	-90,127	-15,806
Cash and equivalents at the end of the period	**53,239**	**37,434**

4. Asets

Considering the duration of the investment cycle, the Group's assets exhibit growth compared to the previous year, and we provide a basic review of the total fixed assets.

Type of assets in thousands of HRK	31.12.2014	31.12.2015
Intangible assets	25,546	25,426
Tangible assets	153,273	175,051
Tangible assets in course of construction	54,076	65,242
Other fixed assets	13,012	10,522
Total tangible fixed assets	**245,907**	**276,241**

5. Human resources

The total number of employees on 31 December 2015 was 872. The number of employees, compared to the same period of the previous year, has been reduced by 125, i.e. by 68 employees compared to 30 June 2015.

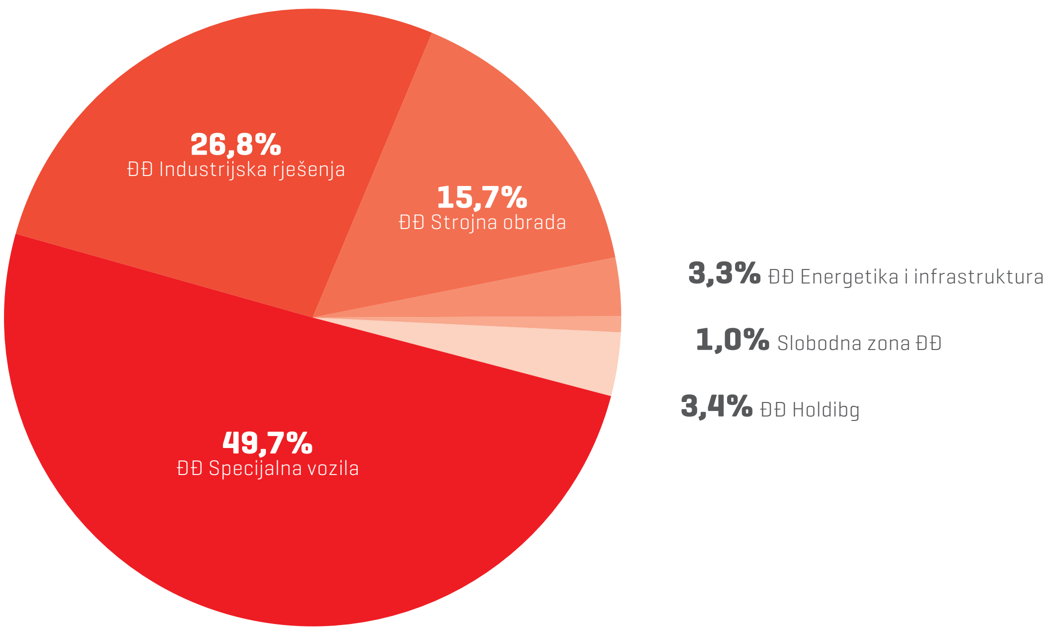
This reduction effected the planned optimisation of the workforce size.

The greatest number of employees is found in ĐĐ Specijalna vozila company (49.7% of the Group's workforce), while the greatest decrease of the workforce, compared to the previous year, took place in ĐĐ Industrijska rješenja company.

Structure and number of employees on 31 December 2014 / 31 December 2015

The company	Number of employees 2014	Number of employees 2015
Specijalna vozila	424	433
Industrijska rješenja	355	234
Strojna obrada	142	137
Energetika i infrastruktura	32	29
Slobodna zona	9	9
Holding	35	30
Total	**997**	**872**

Note: 2014 data for ĐĐ Industrijska rješenja pertain to aggregate data pertaining to ĐĐ Inženjering, ĐĐ Elektromont and ĐĐ Proizvodnja opreme



6. Notes

6.1. Income statement

The income statement provides an overview of financial performance of ĐURO ĐAKOVIĆ Holding d.d. and Đuro Đaković Group in the period from 1 January to 31 December 2015.

6.1.1. Income statement, Đuro Đaković Holding d.d. (in HRK)

Item	Jan-Dec 2014	Jan-Dec 2015
Business income	166,093,165	178,705,053
Business expenses	168,909,985	178,939,148
Business activities result	**-2,816,820**	**-234,095**
Financial income	8,969,788	11,724,150
Financial expenses	2,498,916	5,906,682
Financial activities result	**6,470,872**	**5,817,468**
Total income	**175,062,953**	**190,429,203**
Total expenses	**171,408,901**	**184,845,830**
Profit before tax	3,654,052	5,583,373
Loss before tax	-	-
Profit tax	-	-
Profit after tax	3,654,052	5,583,373
Profit after tax	-	-
Profit / Loss of the financial year	**3,654,052**	**5,583,373**

6.1.2. Income

Total income of Đuro Đaković Holding d.d. generated in January - December 2015 amount to HRK 190,429,203, i.e. HRK 15,366,250 or 8.78% greater than in the same period of the previous year when the total income amounted to HRK 175,062,953.

Business income generated in January - December 2015 amount to HRK 178,705,053 and comprise 93.84% of the total income. In comparison to the previous year, the business income grew by 7.59% or HRK 12,611,888.

Sales income amount to HRK 147,032,225, while the remaining HRK 31,672,828 pertains to other income generated by the basic business activities. In the same period of the preceding year, a total of HRK 140.780.670 was generated as sales income, while HRK 25,312,495 was generated as other forms of the basic business activity income.

Financial income generated in January - December 2015 amount to HRK 11,724,150 and comprise 6.16% of the total income. The financial income consists of interest and exchange rate variations, and compared to the previous year, it grew to the amount of HRK 2,754,362 or 30.71%.

6.1.3. Expenses

Total expenses incurred in January - December 2015 amount to HRK 184,845,830, and in comparison with the previous year, they grew by HRK 13,436,929 or 7.84%.

Business expenses incurred in January - December 2015 amount to HRK 178,939,148, and in comparison with the previous year, they grew by HRK 10,029,163 or 5.94%. The business expenses comprise 96.80% of the total expenses.

Financial expenses were incurred in the amount of HRK 5,906,682, i.e. HRK 3,407,766 or 136.37% greater than the amount incurred in the previous year. The financial expenses comprise 3.20% of the total expenses, and they consist of interest and exchange rate variations associated with loans.

6.1.4. Income statement, Đuro Đaković Group (in HRK)

Item	Jan-Dec 2014	Jan-Dec 2015
Business income	381,986,591	395,015,795
Business expenses	465,621,080	444,922,681
Business activities result	**-83,634,489**	**-49,906,886**
Financial income	1,217,264	2,673,012
Financial expenses	13,731,926	16,629,723
Financial activities result	**-12,514,662**	**-13,956,711**
Total income	**383,203,855**	**397,688,807**
Total expenses	**479,353,006**	**461,552,404**
Profit before tax	-	-
Loss before tax	-96,149,151	-63,863,597
Profit tax	-	-
Profit after tax	-	-
Loss after tax	-96,149,151	-63,863,597
Profit / Loss of the financial year	**-96,149,151**	**-63,863,597**

6.1.5. Income

Total consolidated income of Đuro Đaković Group companies generated in January - December 2015 amounts to HRK 397,688,807, i.e. HRK 14,484,952 or 3.78% greater than in the same period of the previous year when the total income amounted to HRK 383,203,855.

Business income generated in January - December 2015 amounts to HRK 395,015,795 and comprise 99.33% of the total income. In comparison to the previous year, the business income grew by 3.41% or HRK 13,029,204.

Sales income amounts to HRK 377,143,779, while the remaining HRK 17,872,016 pertains to other income generated by the basic business activities. In the same period of the preceding year, a total of HRK 371,192,270 was generated as sales income, while HRK 10,794,321 was generated as other forms of the basic business activity income.

Domestic market sales income generated in January - December 2015 amount to HRK 258,522,147 and comprise 68.54% of the sales income. 31.46% of the sales income or HRK 118,621,632 was generated in foreign markets.

Financial income generated in January - December 2015 amount to HRK 2,673,012 and comprise 0.67% of the total income, representing an increase relative to the previous year by HRK 1,455,748 or 119.59%. The financial income consists of interest and exchange rate variations.

6.1.6. Expenses

Total consolidated expenses incurred in January - December 2015 amount to HRK 461,552,280, and in comparison with the previous year, they decreased by HRK 17,800,726 or 3.71%.

Business expenses incurred in January - December 2015 amount to HRK 444,922,681, and in comparison with the previous year, they decreased by HRK 20,698,399 or 4.45%. The business expenses comprise 96.40% of the total expenses.

Financial expenses incurred in January - December 2015 amount to HRK 16,629,723, i.e. HRK 2,897,797 or 21.10% greater than in the same period of the previous year. The financial expenses comprise 3.60% of the total expenses, and they consist of interest and exchange rate variations associated with loans.

6.2. Balance sheet

Balance sheet of ĐURO ĐAKOVIĆ Holding d.d. and Đuro Đaković Group is an indicator of available resources as of 31 December 2015, results of business activities associated with previous years, financial strength, liquidity, ability to settle liabilities and the capacity to finance the assets using one's own or foreign sources.

6.2.1. Đuro Đaković Holding d.d. balance sheet

Đuro Đaković Holding d.d. assets

Total assets of Đuro Đaković Holding d.d. on 31 December 2015 amount to HRK 404,889,760 and, in comparison to the situation as of 31 December 2014, this amount is greater by HRK 93,394,346.

Structure of the assets

	31.12.2014		31.12.2015	
Fixed assets	**119,245,637**	**38.28%**	**168,328,656**	**41.57%**
Intangible and tangible assets	89,453,368	75.02%	110,794,380	65.82%
Financial assets and accounts receivable	29,792,269	24.98%	57,534,276	34.18%
Current assets	**184,834,934**	**59.34%**	**218,162,537**	**53.88%**
Prepaid expenses and accrued income	**7,414,843**	**2.38%**	**18,398,567**	**4.54%**
Total	**311,495,414**	**100.00%**	**404,889,760**	**100.00%**

Fixed assets, as of 31 December 2015, amount to HRK 168,328,656, representing 41.57% of the total assets and an increase of HRK 49,083,019 or 41.16% compared to the same period of the previous year.

Current assets comprise 53.88% of the total assets and as of 31 December 2015, they amount to HRK 218,162,537, representing an increase of HRK 33,327,603 or 18.03% compared to the same period of the previous year.

Đuro Đaković Holding d.d. liabilities

Total liabilities of Đuro Đaković Holding d.d. on 31 December 2015 amount to HRK 404,889,760 and, in comparison to the situation as of 31 December 2014, this amount is greater by HRK 93,394,346.

Structure of liabilities

	31.12.2014.		31.12.2015.	
Capital and provisions	**167,844,767**	**53.88%**	**173,428,140**	**42.83%**
Long-term provisions	18,606	0.01%	15,301	0.00%
Long-term liabilities	57,846,043	18.57%	139,476,090	34.45%
Short-term liabilities	**77,683,913**	**24.94%**	**91,970,229**	**22.71%**
Deferred payment of expenses and deferred income	8,102,085	2.60%	-	0%
Total	**311,495,414**	**100.00%**	**404,889,760**	**100.00%**

Capital and provisions, as of 31 December 2015, amount to HRK 173,428,140, representing 42.83% of the total liabilities, and this consists of subscribed capital of HRK 151,933,680, capital provisions of HRK 12,257,035, own share provisions of HRK 939,860 (deductible item), retained profit/ transferred loss of HRK 3,654,052, and current year profit of HRK 5,583,373.

Long-term provisions amount to HRK 15,301 and this pertains to provisions for retirement pension payments, severance pay and similar liabilities.

Long-term liabilities, as of 31 December 2015, amount to HRK 139,476,090, representing 34.45% of the total liabilities and an increase of HRK 81,630,047 or 141.12% compared to the same period of the previous year.

Short-term liabilities, indicated in the balance sheet as of 31 December 2015, amount to HRK 91,970,229, representing 22.71% of the total liabilities and an increase of HRK 14,286,316 or 18.39% compared to the same period of the previous year.

6.2.2. Đuro Đaković Group balance sheet

Đuro Đaković Group assets

Total assets of Đuro Đaković Group on 31 December 2015 amount to HRK 509,666,332 and, in comparison to the situation as of 31 December 2014, this amount is lower by HRK 6,254,323 or 1.21%.

Structure of the assets

	31.12.2014.		31.12.2015.	
Fixed assets	**245,907,169**	**47.66%**	**276,240,761**	**54.20%**
Intangible and tangible assets	232,895,062	94.71%	265,718,955	96.19%
Financial assets and accounts receivable	13,012,107	5.29%	10,521,806	3.81%
Current assets	**262,563,251**	**50.89%**	**214,946,236**	**42.17%**
Prepaid expenses and accrued income	**7,450,235**	**1.44%**	**18,479,335**	**3.63%**
Total	**515,920,655**	**100.00%**	**509,666,332**	**100.00%**

Fixed assets, as of 31 December 2015, amount to HRK 276,240,761, representing 54.20% of the total assets and an increase of HRK 30,333,592 or 12.34% compared to the same period of the previous year.

Current assets comprise 42.17% of the total assets and as of 31 December 2015, they amount to HRK 214,946,236, representing a decrease of HRK 47,617,015 or 18.14% compared to the previous year.

Đuro Đaković Group liabilities

Total liabilities of Đuro Đaković Group on 31 December 2015 amount to HRK 509,666,332 and, in comparison to the situation as of 31 December 2014, this amount is lower by HRK 6,254,323 or 1.21%.

Structure of liabilities

	31.12.2014.		31.12.2015.	
Capital and provisions	**64,359,729**	**12.47%**	**496,132**	**0.10%**
Long-term provisions	16,381,474	3.18%	15,549,651	3.05%
Long-term liabilities	164,823,010	31.95%	239,700,129	47.03%
Short-term liabilities	255,511,910	49.53%	249,289,114	48.91%
Deferred payment of expenses and deferred income	14,844,532	2.88%	4,631,306	0.91%
Total	**515,920,655**	**100.00%**	**509,666,332**	**100.00%**

Spherical tanks for storage of liquid oil gas

Capital and provisions, as of 31 December 2015, amount to HRK 496,132, representing 0.10% of the total liabilities, and this consists of subscribed capital of HRK 151,933,680, capital provisions of HRK 15,686,933, own share provisions of HRK 939,860 (deductible item), transferred loss of HRK 95,048,722, and loss of HRK 67,864,446. The minority interest in the capital, provisions, profit and loss amounts to HRK -4,211,313.

Business year's loss presented in the balance sheet in the amount of HRK 67,864,446 differs from the amount of the business year's loss presented in the income statement. This is because ĐURO ĐAKOVIĆ Holding d.d. company increased its stake in ĐURO ĐAKOVIĆ Specijalna vozila d.d. company. Therefore, the proportion of the minority interest in the Group's loss from the previous periods was decreased by HRK 4,000,849 and the business year's loss was increased.

Long-term provisions, on 31 December 2015, amount to HRK 15,549,651 or 3.05% of the total liabilities and they pertain to provisions for retirement pension payments, severance pay and similar liabilities.

Short-term liabilities, as of 31 December 2015, amount to HRK 239,700,129, representing 47.03% of the total liabilities and an increase of HRK 74,877,119 or 45.43% compared to the previous year.

Short-term liabilities, indicated in the balance sheet as of 31 December 2015, amount to HRK 249,289,114, representing 48.91% of the total liabilities and a decrease of HRK 6,222,796 or 2.44% compared to the previous year.

Deferred payment of expenses and accrued income, as of 31 December 2015, are indicated in the amount of HRK 4,631,306, representing 0.91% of the total liabilities and a decrease of HRK 10,213,226 or 68.80% compared to the previous year.


336
E-23

Railway stop construction

YEARLY FINANCIAL REPORT OF ENTREPRENEUR GFI-POD
01/01/2015 to 31/12/2015

Appendix 1			
Reporting period:	1/1/2015	to	31/12/2015

Yearly financial report of entrepreneur GFI-POD

Registration number (MB)	3635112			
Identification number of subject (MBS)	05002378			
Personal identification number (OIB)	58828286397			
Issueer company:	ĐURO ĐAKOVIĆ Holding d.d.			
Postal code and place	35000	SLAVONSKI BROD		
Street and number	Dr. MILE BUDAKA 1			
E-mail address:	uprava@duro-dakovic.com			
Internet address:	www.duro-dakovic.com			
Code and name of comune/town	396	SLAVONSKI BROD		
Code and county name	12	BRODSKO POSAVSKA	Number of employees (at quarter end)	30
Consolidated statement	NO		NKD/NWC code:	7010
Subsidiaries subject to consolidation (according to IFRS):		Residence	Registration number:	
Book keeping service:				
Contact person:	POSAVAC SLAVEN			
	(fill in only surname and name of contact person)			
Phone number:	035/446 256		Fax:	035/444 108
E-mail address:	uprava @duro-dakovic.com			
Surname and name	MAZAL TOMISLAV			
	(authorised person for representation)			

Disclosure documents

1. Financial statements (balance sheet, profit and loss account, cash flow statement, statement of changes in shareholders' equity and notes to the financial statements)
2. Report of the Management Board on position of the Company
3. Statement of responsible persons for preparation of financial statements

M.P. »ĐURO ĐAKOVIĆ« HOLDING d.d. SLAV. BROD, Dr. M. Budaka 1 2

(signed by authorised person for representation)

BALANCE SHEET

as on day December 31, 2015

Company: ĐURO ĐAKOVIĆ Holding d.d.			
Position	**AOP**	**Previous period**	**Current period**
1	2	3	4
ASSETS			
A) RECEIVABELS FOR SUBSCRIBED NOT PAID CAPITAL	**001**		
B) NON-CURRENT ASSETS (003+010+020+029+033)	**002**	119,245,637	168,328,656
I INTANGIBLE ASSETS (004 do 009)	**003**	0	38,188
1. Expenditure for development	**004**		
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	**005**		
3. Goodwill	**006**		
4. Advances for purchase of intangible assets	**007**		
5. Intangible assets in progress	**008**		
6. Other intangible assets	**009**		38,188
II PROPERTY, PLANT AND EQUIPMENT (011 do 019)	**010**	89,453,368	110,756,192
1. Land	**011**	7,222,038	7,222,038
2. Buildings	**012**	29,659,948	26,891,772
3. Plant and equipement	**013**		
4. Tools, working inventory and transportation assets	**014**	1,833,847	16,726,950
5. Biological assets	**015**		
6. Advances for purchase of tangible assets	**016**		
7. Tangible assets in progress	**017**	50,677,089	59,857,454
8. Other tangible assets	**018**		
9. Investment in real-estate	**019**	60,446	57,978
III NON-CURRENT FINANCIAL ASSETS (021 do 028)	**020**	25,577,165	53,907,005
1. Share in related parties	**021**	20,511,570	48,668,721
2. Loans to related parties	**022**	4,236,124	4,236,124
3. Participating interests (shares)	**023**	503,704	505,862
4. Loans to companies with participating interest	**024**		
5. Investments in securities	**025**		
6. Loans, deposits, etc.	**026**	285,000	458,248
7. Other non-current financial assets	**027**	40,767	38,050
8. Equity-accounted investments	**028**		
IV RECEIVABLES (030 do 032)	**029**	4,215,104	3,627,271
1. Receivables from related parties	**030**		
2. Receivables arising from sales on credit	**031**	4,075,152	3,627,271
3. Other receivables	**032**	139,952	
V DEFERRED TAX ASSET	**033**		
C) CURRENT ASSETS (035+043+050+058)	**034**	184,834,934	218,162,537
I INVENTORIES (036 do 042)	**035**	1,322,906	1,322,906
1. Raw materials and supplies	**036**	1,886	1,886
2. Production in progress	**037**		
3. Finished products	**038**		
4. Merchandise	**039**	1,321,020	1,321,020
5. Advances for inventories	**040**		
6. Long term assets held for sale	**041**		
7. Biological assets	**042**		
II RECEIVABLES (044 do 049)	**043**	103,251,449	119,183,560
1. Receivables from related parties	**044**	61,682,461	74,964,261
2. Receivables from end-customers	**045**	22,731,390	38,269,110
3. Receivables from participating parties	**046**		
4. Receivables from employees and members of the company	**047**	115,994	110,122
5. Receivables from government and other institutions	**048**	1,215,051	1,499,236
6. Other receivables	**049**	17,506,553	4,340,831
III CURRENT FINANCIAL ASSETS (051 do 057)	**050**	31,480,165	90,917,232
1. Share in related parties	**051**		
2. Loans to related parties	**052**	31,480,165	90,567,232
3. Participating interests (shares)	**053**		
4. Loans to companies with participating interest	**054**		
5. Investments in securities	**055**		
6. Loans, deposits, etc.	**056**		350,000
7. Other financial assets	**057**		
IV CASH AND CASH EQUIVALENTS	**058**	48,780,414	6,738,839
D) PREPAYMENTS AND ACCRUED INCOME	**059**	7,414,843	18,398,567
E) TOTAL ASSETS (001+002+034+059)	**060**	311,495,414	404,889,760
F) OFF BALANCE SHEET ITEMS	**061**		

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	**062**	167,844,767	173,428,140
I SUBSCRIBED SHARE CAPITAL	**063**	151,933,680	151,933,680
II CAPITAL RESERVES	**064**	12,257,035	12,257,035
III RESERVES FROM PROFIT (066+067-068+069+070)	**065**	0	0
1. Legal reserves	**066**		
2. Reserve for own shares	**067**	939,960	939,960
3. Treasury shares and shares (deductible items)	**068**	939,960	939,960
4. Statutory reserves	**069**		
5. Other reserves	**070**		
IV REVALUATION RESERVES	**071**		
V RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	**072**	0	3,654,052
1. Retained earnings	**073**		3,654,052
2. Loss carried forward	**074**		
VI NET PROFIT OR LOSS FOR THE PERIOD (076-077)	**075**	3,654,052	5,583,373
1. Net profit for the period	**076**	3,654,052	5,583,373
2. Net loss for the period	**077**		
VII MINORITY INTEREST	**078**		
B) PROVISIONS (080 do 082)	**079**	18,606	15,301
1. Provisions for pensions, severance pay and similar libabilities	**080**	18,606	15,301
2. Provisions for tax liabilities	**081**		
3. Other provisions	**082**		
C) NON-CURRENT LIABILITIES (084 do 092)	**083**	57,846,043	139,476,090
1. Liabilites to related parties	**084**		
2. Liabilities for loans, deposits, etc.	**085**		
3. Liabilities to banks and other financial institutions	**086**	51,867,600	133,735,648
4. Liabilities for advances	**087**		
5. Trade payables	**088**		
6. Commitments on securities	**089**		
7. Liabilities to companies with participating interest	**090**		
8. Other non-current liabilities	**091**	5,978,443	5,740,442
9. Deferred tax liabilities	**092**		
D) CURRENT LIABILITIES (094 do 105)	**093**	77,683,913	91,970,229
1. Liabilites to related parties	**094**	2,079,224	2,281,416
2. Liabilities for loans, deposits, etc.	**095**		
3. Liabilities to banks and other financial institutions	**096**	1,242,269	7,753,746
4. Liabilities for advances	**097**	3,781,055	20,432,508
5. Trade payables	**098**	69,870,731	60,604,651
6. Commitments on securities	**099**		
7. Liabilities to companies with participating interest	**100**		
8. Liabilities to emloyees	**101**	321,939	295,288
9. Taxes, contributions and similar liabilities	**102**	364,569	575,292
10. Liabilities arising from share in the result	**103**		
11. Liabilities arising from non-current assets held for sale	**104**		
12. Other current liabilities	**105**	24,126	27,328
E) ACCRUED EXPENSES AND DEFERRED INCOME	**106**	8,102,085	
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	**107**	311,495,414	404,889,760
G) OFF BALANCE SHEET ITEMS	**108**		
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	**109**		
2. Attributable to minority interest	**110**		

PROFIT AND LOSS ACCOUNT

for period January 1, 2015 to December 31, 2015

Company: ĐURO ĐAKOVIĆ Holding d.d.			
Position	**AOP**	**Previous period**	**Current period**
1	**2**	3	5
I OPERATING INCOME (112 do 113)	**111**	166,093,165	178,705,053
1. Rendering of services	**112**	140,780,670	147,032,225
2. Other operating income	**113**	25,312,495	31,672,828
II OPERATING COSTS (115+116+120+124+125+126+129+130)	**114**	168,909,985	178,939,148
1. Change in inventories of work in progress	**115**		
2. Material expenses (117 do 119)	**116**	119,772,574	154,236,983
a) Costs of raw materials	**117**	8,561,838	3,689,452
b) Cost of goods sold	**118**	104,116,311	144,081,528
c) Other material expenses	**119**	7,094,426	6,466,003
3. Employee benefits expenses (121 do 123)	**120**	10,283,552	6,426,123
a) Net salaries	**121**	6,320,575	3,990,080
b) Tax and contributions from salary expenses	**122**	2,430,318	1,448,798
c) Contributions on salary	**123**	1,532,659	987,245
4. Depreciation and amortisation	**124**	1,948,553	3,765,417
5. Other expenses	**125**	27,705,486	9,668,260
6. Write down of assets (127+128)	**126**	8,819,861	0
a) non-current assets (except financial assets)	**127**		
b) current assets (except financial assets)	**128**	8,819,861	
7. Provisions	**129**		
8. Other operating costs	**130**	379,958	4,842,365
III FINANCIAL INCOME (132 do 136)	**131**	8,969,788	11,724,150
1. Interest, foreign exchange differences, dividens and similar income from related parties	**132**	8,777,630	10,759,985
2. Interest, foreign exchange differences, dividens and similar income from third parties	**133**	192,158	964,165
3. Income from investments in associates and joint ventures	**134**		
4. Unrealised gains (income) from financial assets	**135**		
5. Other financial income	**136**		
IV FINANCIAL EXPENSES (138 do 141)	**137**	2,498,916	5,906,682
1. Interest, foreign exchange differences, dividens and similar income from related parties	**138**	51,786	653
2. Interest, foreign exchange differences, dividens and similar income from third parties	**139**	2,447,130	5,906,029
3. Unrealised losses (expenses) from financial assets	**140**		
4. Other financial expenses	**141**		
V SHARE OF PROFIT FROM ASSOCIATED COMPANIES	**142**		
VI SHARE OF LOSS FROM ASSOCIATED COMPANIES	**143**		
VII EXTRAORDINARY - OTHER INCOME	**144**		
VIII EXTRAORDINARY - OTHER EXPENSES	**145**		
IX TOTAL INCOME (111+131+144)	**146**	175,062,953	190,429,203
X TOTAL EXPENSES (114+137+143+145)	**147**	171,408,901	184,845,830
XI PROFIT OR LOSS BEFORE TAXES (146-147)	**148**	3,654,052	5,583,373
1. Profit before taxes (146-147)	**149**	3,654,052	5,583,373
2. Loss before taxes (147-146)	**150**		
XII TAXATION	**151**		
XII PROFIT OR LOSS FOR THE PERIOD (148-151)	**152**	3,654,052	5,583,373
1. Profit for the period (149-151)	**153**	3,654,052	5,583,373
2. Loss for the period (151-148)	**154**		
ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)			
XIV PROFIT OR LOSS FOR THE PERIOD			
1. Attributable to majority owners	**155**		
2. Attributable to minority interest	**156**		
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)			
I PROFIT OR LOSS FOR THE PERIOD (=152)	**157**	3,654,052	5,583,373
II OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	**158**	0	0
1. Exchange differences from international settlement	**159**		
2. Changes in revaluation reserves of long-term tangible and intangible assets	**160**		
3. Profit or loss from re-evaluation of financial assets held for sale	**161**		
4. Profit or loss from cash flow hedging	**162**		
5. Profit or loss from hedging of foreign investments	**163**		
6. Share of other comprehensive income/loss from associatied companies	**164**		
7. Actuarial gains/losses from defined benefit plans	**165**		
III TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**166**		
IV NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)	**167**	0	0
V COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	**168**	3,654,052	5,583,373
ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated financial statements)			
VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD			
1. Attributable to majority owners	**169**		
2. Attributable to minority interest	**170**		

CASH FLOW STATEMENT - Indirect method
for period January 1, 2015 to December 31, 2015

Company: ĐURO ĐAKOVIĆ Holding d.d.			
Position	**AOP**	**Previous period**	**Current period**
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before taxes	001	3,654,052	5,583,373
2. Amortization	002	1,948,553	3,765,417
3. Increase of current liabilities	003		5,756,292
4. Decrease of receivables	004		
5. Decrease of inventories	005		
6. Other increase of cash flow	006	193,818	611,255
I Total increase in cash flow from operating activities (001 to 006)	007	5,796,423	15,716,337
1. Decrease of current liabilities	008	8,919,133	
2. Increase of receivables	009	8,893,440	92,885,398
3. Increase of inventories	010		
4. Other decrease of cash flow	011		
II Total decrease in cash flow from operating activities (008 to 011)	012	17,812,573	92,885,398
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	013	0	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	12,016,150	77,169,061
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash flow from sale of long - term tangible and intangible assets	015	155,465	21,954,194
2. Cash inflows from sale of equity and debt financial instruments	016	87,192,320	
3. Interest receipts	017		
4. Dividend receipts	018		
5. Other cash inflows from investing activities	019		
III Total cash inflows from investing activities(015 to 019)	020	87,347,785	21,954,194
1.Cash outflows for purchase of long - term tangible and intangible assets	021	54,762,793	39,262,867
2. Cash outflows for purchase of equity and debt financial instruments	022		
3. Other cash outflows from investing activities	023		
IV Total cash outflows from investing activities (021 to 023)	024	54,762,793	39,262,867
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	025	32,584,992	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	0	17,308,673
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash receipts from issuance of equity and debt financial instruments	027		
2. Cash inflows from loans, debentures, credits and other borrowings	028	65,211,486	120,618,387
3. Other cash inflows from financing activities	029	1,259,788	91,324,166
V Total cash inflows from financing activities (027 to 029)	030	66,471,274	211,942,553
1. Cash outflows for repayment of loans and bonds	031	32,139,763	32,063,824
2. Dividends paid	032		
3. Cash outflows for finance lease	033	48,112	145,139
4. Cash outflows for purchase of own stocks	034	624,234	106,713,407
5. Other cash outflows from financing activities	035	5,941,679	20,584,024
VI Total cash outflows from financing activities (031 to 035)	036	38,753,788	159,506,394
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	037	27,717,486	52,436,159
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	0	0
Total increases of cash flows (013-014 + 025-026 + 037-038)	039	48,286,328	0
Total decreases of cash flows (014-013 + 026-025 + 038-037)	040	0	42,041,575
Cash and cash equivalents at the beginning of period	041	548,449	48,780,414
Decrease in cash and cash equivalents	042		42,041,575
Increase in cash and cash equivalents	043	48,286,328	
Cash and cash equivalents at the end of period	044	48,834,777	6,738,839

STATEMENT OF CHANGES IN EQUITY

for period January 1, 2015 to December 31, 2015

Company: ĐURO ĐAKOVIĆ Holding d.d.			
Position	**AOP**	**Previous year**	**Current year**
1	2	3	4
1. Subscribed share capital	001	151,933,680	151,933,680
2. Capital reserves	002	12,257,035	12,257,035
3. Reserves from profit	003		
4. Retained earnings or loss carried forward	004		3,654,052
5. Net profit or loss for the period	005	3,654,052	5,583,373
6. Revaluation of tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of available for sale assets	008		
9. Other revaliuation	009		
10. Total equity and reserves (AOP 001 to 009)	010	167,844,767	173,428,140
11. Foreign exchenge differences ffrom foreign investments	011		
12. Current and deferred taxes	012		
13. Cash flow hedge	013		
14. Change of accounting policies	014		
15. Correction of significant mistakes of prior period	015		
16. Other changes	016	3,654,052	5,583,373
17.Total increase or decrease of equity (AOP 011 to 016)	017	3,654,052	5,583,373
17 a. Attributable to majority owners	018		
17 b. Attributable to minority interest	019		

YEARLY FINANCIAL REPORT OF ENTREPRENEUR GFI-POD

01/01/2015 to 31/12/2015

Appendix 1				
Reporting period:		1/1/2015	to	31/12/2015

Yearly financial report of entrepreneur GFI-POD

Registration number (MB)	3635112				
Identification number of subject (MBS)	05002378				
Personal identification number (OIB)	58828286397				
Issueer company:	ĐURO ĐAKOVIĆ Holding d.d.				
Postal code and place	35000		SLAVONSKI BROD		
Street and number	Dr. MILE BUDAKA 1				
E-mail address:	uprava@duro-dakovic.com				
Internet address:	www.duro-dakovic.com				
Code and name of comune/town	396	SLAVONSKI BROD			
Code and county name	12	BRODSKO POSAVSKA		Number of employees (at quarter end)	872
Consolidated statement	YES		NKD/NWC code:		7010

Subsidiaries subject to consolidation (according to IFRS):	Residence	Registration number:
ĐURO ĐAKOVIĆ Specijalna vozila d.d.	Dr. Mile Budaka 1, Slavonski Brod	3386066
ĐURO ĐAKOVIĆ Industrijska rješenja d.d.	Dr. Mile Budaka 1, Slavonski Brod	3411281
ĐURO ĐAKOVIĆ Strojna obrada d.o.o.	Dr. Mile Budaka 1, Slavonski Brod	1648527
ĐURO ĐAKOVIĆ Energetika i infrastruktura d.o.o.	Dr. Mile Budaka 1, Slavonski Brod	0288527
ĐURO ĐAKOVIĆ Slobodna zona d.o.o.	Dr. Mile Budaka 1, Slavonski Brod	1577921

Book keeping service:			
Contact person:	POSAVAC SLAVEN		
	(fill in only surname and name of contact person)		
Phone number:	035/446 256	Fax:	035/444 108
E-mail address:	uprava @duro-dakovic.com		
Surname and name	MAZAL TOMISLAV		
	(authorised person for representation)		

Disclosure documents:

1. Financial statements (balance sheet, profit and loss account, cash flow statement, statement of changes in shareholders' equity and notes to the financial statements)
2. Report of the Management Board on position of the Company
3. Statement of responsible persons for preparation of financial statements

M.P. »ĐURO ĐAKOVIĆ« HOLDING d.d. SLAV. BROD, Dr. M. Budaka 1 2

(potpis osobe ovlaštene za zastupanje)

CONSOLIDATED BALANCE SHEET

as on day December 31, 2015

Company: ĐURO ĐAKOVIĆ Holding d.d.			
Position	**AOP**	**Previous period**	**Current period**
1	2	3	4
ASSETS			
A) RECEIVABELS FOR SUBSCRIBED NOT PAID CAPITAL	001		
B) NON-CURRENT ASSETS (003+010+020+029+033)	002	245,907,169	276,240,761
I INTANGIBLE ASSETS (004 do 009)	003	25,545,877	25,425,886
1. Expenditure for development	004	7,595,619	6,883,374
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	3,308,005	3,889,144
3. Goodwill	006		
4. Advances for purchase of intangible assets	007	37,693	
5. Intangible assets in progress	008	14,597,013	14,607,850
6. Other intangible assets	009	7,547	45,518
II PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	207,349,185	240,293,069
1. Land	011	14,249,547	15,472,391
2. Buildings	012	99,177,922	101,740,982
3. Plant and equipement	013	33,064,492	33,715,854
4. Tools, working inventory and transportation assets	014	6,408,404	20,038,054
5. Biological assets	015		
6. Advances for purchase of tangible assets	016	289,385	434,698
7. Tangible assets in progress	017	54,075,804	65,242,278
8. Other tangible assets	018		
9. Investment in real-estate	019	83,631	3,648,812
III NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	2,588,704	1,455,795
1. Share in related parties	021		
2. Loans to related parties	022		
3. Participating interests (shares)	023	792,264	794,422
4. Loans to companies with participating interest	024		
5. Investments in securities	025	1,393,139	87,808
6. Loans, deposits, etc.	026	362,534	535,515
7. Other non-current financial assets	027	40,767	38,050
8. Equity-accounted investments	028		
IV RECEIVABLES (030 do 032)	029	10,423,403	9,066,011
1. Receivables from related parties	030		
2. Receivables arising from sales on credit	031	9,715,305	8,772,054
3. Other receivables	032	708,098	293,957
V DEFERRED TAX ASSET	033		
C) CURRENT ASSETS (035+043+050+058)	034	262,563,251	214,946,236
I INVENTORIES (036 do 042)	035	121,171,214	96,017,061
1. Raw materials and supplies	036	36,665,233	33,258,822
2. Production in progress	037	70,854,336	46,599,471
3. Finished products	038	898,658	11,700,238
4. Merchandise	039	5,385,798	1,817,068
5. Advances for inventories	040	7,367,189	2,641,462
6. Long term assets held for sale	041		
7. Biological assets	042		
II RECEIVABLES (044 do 049)	043	87,864,320	80,609,971
1. Receivables from related parties	044		
2. Receivables from end-customers	045	67,082,089	72,220,727
3. Receivables from participating parties	046		
4. Receivables from employees and members of the company	047	164,005	163,993
5. Receivables from government and other institutions	048	2,602,905	3,107,355
6. Other receivables	049	18,015,321	5,117,896
III CURRENT FINANCIAL ASSETS (051 do 057)	050	342,375	884,770
1. Share in related parties	051		
2. Loans to related parties	052		
3. Participating interests (shares)	053		
4. Loans to companies with participating interest	054		
5. Investments in securities	055		
6. Loans, deposits, etc.	056	212,375	754,770
7. Other financial assets	057	130,000	130,000
IV CASH AND CASH EQUIVALENTS	058	53,185,342	37,434,434
D) PREPAYMENTS AND ACCRUED INCOME	059	7,450,235	18,479,335
E) TOTAL ASSETS (001+002+034+059)	060	515,920,655	509,666,332
F) OFF BALANCE SHEET ITEMS	061	179,045,352	149,966,185

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	64,359,729	496,132
I SUBSCRIBED SHARE CAPITAL	063	151,933,680	151,933,680
II CAPITAL RESERVES	064	15,686,933	15,686,933
III RESERVES FROM PROFIT (066+067-068+069+070)	065	0	0
1. Legal reserves	066		
2. Reserve for own shares	067	939,960	939,960
3. Treasury shares and shares (deductible items)	068	939,960	939,960
4. Statutory reserves	069		
5. Other reserves	070		
IV REVALUATION RESERVES	071		
V RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	0	-95,048,722
1. Retained earnings	073		
2. Loss carried forward	074		95,048,722
VI NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	-95,048,722	-67,864,446
1. Net profit for the period	076		
2. Net loss for the period	077	95,048,722	67,864,446
VII MINORITY INTEREST	078	-8,212,162	-4,211,313
B) PROVISIONS (080 do 082)	079	16,381,474	15,549,651
1. Provisions for pensions, severance pay and similar libabilities	080	3,011,605	2,409,776
2. Provisions for tax liabilities	081		
3. Other provisions	082	13,369,869	13,139,875
C) NON-CURRENT LIABILITIES (084 do 092)	083	164,823,010	239,700,129
1. Liabilites to related parties	084		
2. Liabilities for loans, deposits, etc.	085		
3. Liabilities to banks and other financial institutions	086	151,090,707	227,773,962
4. Liabilities for advances	087		
5. Trade payables	088		
6. Commitments on securities	089		
7. Liabilities to companies with participating interest	090		
8. Other non-current liabilities	091	13,732,303	11,926,167
9. Deferred tax liabilities	092		
D) CURRENT LIABILITIES (094 do 105)	093	255,511,910	249,289,114
1. Liabilites to related parties	094		
2. Liabilities for loans, deposits, etc.	095		
3. Liabilities to banks and other financial institutions	096	73,722,771	74,610,730
4. Liabilities for advances	097	24,511,835	48,880,943
5. Trade payables	098	143,385,886	111,294,466
6. Commitments on securities	099		
7. Liabilities to companies with participating interest	100		
8. Liabilities to emloyees	101	6,522,862	6,339,171
9. Taxes, contributions and similar liabilities	102	6,846,406	7,593,919
10. Liabilities arising from share in the result	103		
11. Liabilities arising from non-current assets held for sale	104		
12. Other current liabilities	105	522,150	569,885
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	14,844,532	4,631,306
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	515,920,655	509,666,332
G) OFF BALANCE SHEET ITEMS	108	179,045,352	149,966,185
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	72,571,891	4,707,445
2. Attributable to minority interest	110	-8,212,162	-4,211,313

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for period January 1, 2015 to December 31, 2015

Company: ĐURO ĐAKOVIĆ Holding d.d.			
Position	**AOP**	**Previous period**	**Current period**
1	2	3	4
I OPERATING INCOME (112 do 113)	111	381,986,591	395,015,795
1. Rendering of services	112	371,192,270	377,143,779
2. Other operating income	113	10,794,321	17,872,016
II OPERATING COSTS (115+116+120+124+125+126+129+130)	114	465,621,080	444,922,681
1. Change in inventories of work in progress	115	-1,586,007	3,206,619
2. Material expenses (117 do 119)	116	247,266,332	281,394,650
a) Costs of raw materials	117	129,442,947	122,416,240
b) Cost of goods sold	118	77,768,618	113,872,438
c) Other material expenses	119	40,054,767	45,105,972
3. Employee benefits expenses (121 do 123)	120	117,191,276	99,149,701
a) Net salaries	121	76,241,069	64,511,327
b) Tax and contributions from salary expenses	122	25,445,412	21,091,249
c) Contributions on salary	123	15,504,795	13,547,125
4. Depreciation and amortisation	124	17,982,571	19,903,894
5. Other expenses	125	65,962,589	30,772,207
6. Write down of assets (127+128)	126	10,783,782	724,816
a) non-current assets (except financial assets)	127	14,010	
b) current assets (except financial assets)	128	10,769,772	724,816
7. Provisions	129	1,449,954	1,992,391
8. Other operating costs	130	6,570,584	7,778,403
III FINANCIAL INCOME (132 do 136)	131	1,217,264	2,673,012
1. Interest, foreign exchange differences, dividens and similar income from related parties	132		
2. Interest, foreign exchange differences, dividens and similar income from third parties	133	1,058,622	2,634,347
3. Income from investments in associates and joint ventures	134		
4. Unrealised gains (income) from financial assets	135		
5. Other financial income	136	158,642	38,665
IV FINANCIAL EXPENSES (138 do 141)	137	13,731,926	16,629,723
1. Interest, foreign exchange differences, dividens and similar income from related parties	138		
2. Interest, foreign exchange differences, dividens and similar income from third parties	139	13,501,565	16,616,599
3. Unrealised losses (expenses) from financial assets	140		
4. Other financial expenses	141	230,361	13,124
V SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142		
VI SHARE OF LOSS FROM ASSOCIATED COMPANIES	143		
VII EXTRAORDINARY - OTHER INCOME	144		
VIII EXTRAORDINARY - OTHER EXPENSES	145		
IX TOTAL INCOME (111+131+144)	146	383,203,855	397,688,807
X TOTAL EXPENSES (114+137+143+145)	147	479,353,006	461,552,404
XI PROFIT OR LOSS BEFORE TAXES (146-147)	148	-96,149,151	-63,863,597
1. Profit before taxes (146-147)	149	0	0
2. Loss before taxes (147-146)	150	96,149,151	63,863,597
XII TAXATION	151		
XII PROFIT OR LOSS FOR THE PERIOD (148-151)	152	-96,149,151	-63,863,597
1. Profit for the period (149-151)	153	0	0
2. Loss for the period (151-148)	154	96,149,151	63,863,597
ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)			
XIV PROFIT OR LOSS FOR THE PERIOD			
1. Attributable to majority owners	155	-95,048,722	-62,533,250
2. Attributable to minority interest	156	-1,100,430	-1,330,347
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)			
I PROFIT OR LOSS FOR THE PERIOD (=152)	157	-96,149,151	-63,863,597
II OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	158	0	0
1. Exchange differences from international settlement	159		
2. Changes in revaluation reserves of long-term tangible and intangible assets	160		
3. Profit or loss from re-evaluation of financial assets held for sale	161		
4. Profit or loss from cash flow hedging	162		
5. Profit or loss from hedging of foreign investments	163		
6. Share of other comprehensive income/loss from associatied companies	164		
7. Actuarial gains/losses from defined benefit plans	165		
III TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166		
IV NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)	167	0	0
V COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	-96,149,151	-63,863,597
ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated financial statements)			
VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD			
1. Attributable to majority owners	169	-95,048,722	-62,533,250
2. Attributable to minority interest	170	-1,100,430	-1,330,347

CONSOLIDATE CASH FLOW STATEMENT - Indirect method
for period January 1, 2015 to December 31, 2015

Company: ĐURO ĐAKOVIĆ Holding d.d.			
Position	**AOP**	**Previous period**	**Current period**
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before taxes	001	-96,149,151	-63,863,597
2. Amortization	002	17,982,571	19,903,894
3. Increase of current liabilities	003		
4. Decrease of receivables	004	3,597,119	
5. Decrease of inventories	005	7,148,299	3,206,619
6. Other increase of cash flow	006		3,853,833
I Total increase in cash flow from operating activities (001 to 006)	007	-67,421,163	-36,899,251
1. Decrease of current liabilities	008	111,081,642	11,900,638
2. Increase of receivables	009		10,297,817
3. Increase of inventories	010		
4. Other decrease of cash flow	011	3,779,786	2,488,593
II Total decrease in cash flow from operating activities (008 to 011)	012	114,861,428	24,687,048
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	013	0	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	182,282,590	61,586,299
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash flow from sale of long - term tangible and intangible assets	015	579,481	23,436,182
2. Cash inflows from sale of equity and debt financial instruments	016	87,192,320	
3. Interest receipts	017	312,443	
4. Dividend receipts	018		
5. Other cash inflows from investing activities	019	16,000	
III Total cash inflows from investing activities(015 to 019)	020	88,100,244	23,436,182
1.Cash outflows for purchase of long - term tangible and intangible assets	021	59,014,295	55,511,482
2. Cash outflows for purchase of equity and debt financial instruments	022		
3. Other cash outflows from investing activities	023		
IV Total cash outflows from investing activities (021 to 023)	024	59,014,295	55,511,482
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	025	29,085,949	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	0	32,075,300
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash receipts from issuance of equity and debt financial instruments	027		
2. Cash inflows from loans, debentures, credits and other borrowings	028	101,636,408	178,688,696
3. Other cash inflows from financing activities	029	4,803,424	89,144,369
V Total cash inflows from financing activities (027 to 029)	030	106,439,832	267,833,065
1. Cash outflows for repayment of loans and bonds	031	37,766,891	168,850,543
2. Dividends paid	032		0
3. Cash outflows for finance lease	033	419,678	458,342
4. Cash outflows for purchase of own stocks	034	624,234	0
5. Other cash outflows from financing activities	035	4,558,893	20,667,852
VI Total cash outflows from financing activities (031 to 035)	036	43,369,696	189,976,737
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	037	63,070,137	77,856,328
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	0	0
Total increases of cash flows (013-014 + 025-026 + 037-038)	039	0	0
Total decreases of cash flows (014-013 + 026-025 + 038-037)	040	90,126,504	15,805,271
Cash and cash equivalents at the beginning of period	041	143,366,209	53,239,705
Decrease in cash and cash equivalents	042		
Increase in cash and cash equivalents	043	90,126,504	15,805,271
Cash and cash equivalents at the end of period	044	53,239,705	37,434,434

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for period January 1, 2015 to December 31, 2015

Company: ĐURO ĐAKOVIĆ Holding d.d.			
Position	**AOP**	**Previous year**	**Current year**
1	2	3	4
1. Subscribed share capital	001	151,933,680	151,933,680
2. Capital reserves	002	15,686,933	15,686,933
3. Reserves from profit	003		
4. Retained earnings or loss carried forward	004		
5. Net profit or loss for the period	005	-103,260,884	-167,124,481
6. Revaluation of tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of available for sale assets	008		
9. Other revaliuation	009		
10. Total equity and reserves (AOP 001 to 009)	010	64,359,729	496,132
11. Foreign exchenge differences ffrom foreign investments	011		
12. Current and deferred taxes	012		
13. Cash flow hedge	013		
14. Change of accounting policies	014		
15. Correction of significant mistakes of prior period	015		
16. Other changes	016	-95,048,722	-67,864,446
17.Total increase or decrease of equity (AOP 011 to 016)	017	-95,048,722	-67,864,446
17 a. Attributable to majority owners	018	72,571,891	4,707,445
17 b. Attributable to minority interest	019	-8,212,162	-4,211,313

ĐURO ĐAKOVIĆ HOLDING d.d.
Slavonski Brod

Unconsolidated financial statements
for the year ended 31 December 2015
together with Independent Auditor's Report

Content

Responsibility for the unconsolidated financial statements

Pursuant to the Accounting Act of the Republic of Croatia, the Management of the Company is responsible for ensuring that unconsolidated financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ("the IFRSs"), as adopted by the European Union, which give a true and fair view of the financial position and results of operations of Đuro Đaković Holding d.d. for that period.

The Management has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management continues to adopt the going concern basis in preparing the unconsolidated financial statements.

In preparing those unconsolidated financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the unconsolidated financial statements; and
- the unconsolidated financial statements are prepared on the going concern basis, unless it is inappropriate to assume that the Company will continue as a going concern.

The Management is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Company and must also ensure that the unconsolidated financial statements comply with the Accounting Act. The Management is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed for and on behalf of the Management by:

Tomislav Mazal

President of the Management Board

»ĐURO ĐAKOVIĆ«
HOLDING d.d.
SLAV. BROD, Dr. M. Budaka 1
2

ĐURO ĐAKOVIĆ Holding d.d.

Dr. Mile Budaka 1

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Republic of Croatia

29 April 2016

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INDEPENDENT AUDITOR'S REPORT

To the Owners of Đuro Đaković Holding d.d., Slavonski Brod

We have audited the accompanying unconsolidated financial statements of Đuro Đaković Holding d.d. ("the Company") which comprise the unconsolidated statement of financial position at 31 December 2015 and the related unconsolidated statement of comprehensive income, of changes in equity and of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the unconsolidated financial statements

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial unconsolidated statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the unconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the unconsolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the financial position of the Company at 31 December 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Emphasis of matter

The Company has also put together consolidated financial statements for Đuro Đaković Holding d.d. and its subsidiaries, dating 29 April 2016. To better understand the Company, users should read these unconsolidated financial statements together with the consolidated financial statements.

Branislav Vrtačnik,
President of the Management Board

Ivana Turjak Čebohin,
Certified Auditor

Deloitte d.o.o.
Zagreb, 29 April 2016

Statement of financial position

For year ended 31 December 2015

(All amounts are expressed in thousands of kunas)

	Notes	2015	2014
Sales	4	147,032	140,781
Other income	5	31,673	25,312
		178,705	**166,093**
Material costs	6	(144,687)	(120,359)
Staff costs	7	(6,426)	(10,284)
Depreciation and amortisation	14,15,16	(3,766)	(1,948)
Other expenses	8	(9,419)	(27,324)
Value adjustment	9	-	(8,820)
Other operating expenses	10	(14,641)	(175)
		(178,939)	**(168,910)**
Loss from operations		**(234)**	**(2,817)**
Financial income	11	11,724	8,970
Financial expenses	12	(5,907)	(2,499)
Net financial gain		**5,817**	**6,471**
Income before taxation		**5,583**	**3,654**
Income tax expense	13	-	-
Income for the year		**5,583**	**3,654**
Other comprehensive income		-	-
Total comprehensive income		**5,583**	**3,654**
Income per share:			
-basic and diluted (in kunas and lipas)	28	0.74	0.48

Unconsolidated statement of financial position

At 31 December 2015

(All amounts are expressed in thousands of kunas)

	Notes	At 31 December 2015	At 31 December 2014
ASSETS			
Non-current assets			
Software	14	38	-
Property, plant and equipment	15	97,426	77,707
Investment property	16	13,330	11,749
Investments in subsidiaries	17	48,669	20,509
Given loans, deposits and similar	18	4,694	4,661
Investments in securities and equities	19	506	506
Other non-current financial assets		38	40
Non-current receivables	20	3,627	4,074
Total non-current assets		**168,328**	**119,246**
Current assets			
Inventories	21	1,323	1,323
Receivables from subsidiaries	35	74,965	61,682
Trade receivables	22	38,269	22,731
Other receivables	23	5,950	18,838
Given loans to subsidiaries	24	90,567	31,480
Given loans		350	-
Other financial assets	25	6,130	20,000
Cash and cash equivalents	26	609	28,780
Prepaid expenses and accrued income	27	18,399	7,415
Total current assets		**236,562**	**192,249**
TOTAL ASSETS		**404,890**	**311,495**

The accompanying accounting policies and notes form an integral part of these unconsolidated financial statements.

Unconsolidated statement of financial position (continued)

At 31 December 2015

(All amounts are expressed in thousands of kunas)

	Notes	At 31 December 2015	At 31 December 2014
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	28	151,934	151,934
Capital reserves		12,257	12,257
Reserves for own shares		940	940
Own shares		(940)	(940)
Retained profit	29	9,237	3,654
Total equity		**173,428**	**167,845**
Provisions	30	**15**	**19**
Non-current liabilities			
Borrowings	32	119,356	41,496
Other non-current liabilities	31	5,740	5,978
Total non-current liabilities		**125,096**	**47,474**
Current liabilities			
Borrowings	32	22,134	11,613
Trade payables	33	60,605	69,871
Liabilities toward subsidiaries	35	2,281	2,079
Other current liabilities	34	21,331	4,492
Accrued expenses and deferred revenue		-	8,102
Total current liabilities		**106,351**	**96,157**
TOTAL EQUITY AND LIABILITIES		**404,890**	**311,495**

The accompanying accounting policies and notes form an integral part of these unconsolidated financial statements.

(All amounts are expressed in thousands of kunas)

	Share capital	Capital reserves	Reserves for treasury shares	Treasury shares	Accumulated losses/profit for the year	Total
Balance at 31 December 2013	**258,966**	**6,923**	**3,760**	**(3,760)**	**(188,890)**	**76,999**
Decrease of share capital	(194,224)	5,334			188,890	-
Increase of share capital	87,192	-	-	-	-	87,192
Changes in reserve for treasury shares	-	-	(2,820)	2,820	-	-
Other comprehensive income	-	-	-	-	3,654	3,654
Balance at 31 December 2014	**151,934**	**12,257**	**940**	**(940)**	**3,654**	**167,845**
Other comprehensive income	-	-	-	-	5,583	5,583
Balance at 31 December 2015	**151,934**	**12,257**	**940**	**(940)**	**9,237**	**173,428**

The accompanying accounting policies and notes form an integral part of these unconsolidated financial statements.

(All amounts are expressed in thousands of kunas)

	2015	2014
Cash flows from operating activities		
Profit for the year	**5,583**	**3,654**
Adjusted for:		
Depreciation and amortization	3,766	1,948
Impairment of trade receivables	-	8,123
Impairment of financial assets	-	697
Increase/(decrease) of shares in associates	47,345	(5,981)
Net book value of sold and disposed property, plant and equipment	1,970	73
Decrease in provisions	(4)	(23)
Foreign exchange	204	-
Nullification of losses from receivables value reduction	9	-
Operating cash flow before changes in working capital	**58,873**	**8,491**
(Increase)/decrease of trade receivables	(53,520)	33,847
Decrease/(increase) of other receivables	13,335	(11,477)
(Decrease)/increase in liabilities toward suppliers	(9,064)	8,823
Decrease in other long term liabilities	(238)	(258)
Increase/(decrease) in other current liabilities	16,839	(6,420)
Increase in prepaid expenses and accrued income	(10,984)	(7,415)
Decrease of accrued expenses and deferred revenue	(8,102)	(3,822)
Cash used in operations	**7,139**	**21,769**
Net cash flow from operating activities	**7,139**	**21,769**
Investment activities		
Purchases of property, plant and equipment	(30,687)	(54,752)
(Increase) in given loans	(106,672)	(35,739)
Decrease/(increase) in time deposits	13,872	(20,000)
Decrease in other financial assets	-	2
Net cash used in investing activities	**(123,487)**	**(110,489)**
Increase of share capital	-	87,192
Received loans	119,973	67,963
Payment of loans	(31,796)	(38,203)
Net cash generated from financing activities	**88,177**	**116,952**
Net (decrease)/increase in cash and cash equivalents	**(28,171)**	**28,232**
Cash and cash equivalents and the beginning of the year	28,780	548
Cash and cash equivalents and the end of the year	609	28,780

The accompanying accounting policies and notes form an integral part of these unconsolidated financial statements.

(All amounts are expressed in thousands of kunas)

1. GENERAL INFORMATION

1.1 Introduction

Đuro Đaković Holding d.d., Slavonski Brod is a corporation. The identification number as per the Commercial Court registry in Slavonski Brod is 050002378. The equity capital is valued at HRK 151,933,680 and the amount of the stock is 7,596,684 units, each with a nominal value of HRK 20.

Principal business

- management of the holding companies
- joint venture and setting up businesses in foreign countries, buying and selling know-how, licenses and patents
- architectural activities and engineering, and related technical advisement
- closing (concluding) contracts for arming and military equipment for purposes of export

1.2 Management Board

The members of the Company's Management Board are as follows:

- Tomislav Mazal	President of the Management Board
- Marko Bogdanović	Member of the Management Board

1.3 Supervisory Board

On 26 November 2014 member of Supervisory Board Mr Zoran Posinovec resigned from the membership in Supervisory Board. Considering that by the time of convocation of General Board new member of Supervisory Board has not been elected, on the day 29 June 2015 Supervisory Board of Đuro Đaković Holding d.d. was made of following members:

- Vjekoslav Leko	President of the Supervisory Board, on 19 June 2013 named by the AUDIO for the member of SB, 10 July 2013 named President of SB until 9 July 2017
- Domagoj Bartek	Vice President, 26 April 2012 until 29 June 2015
- Mladen Huber	member, 26 April 2012 until 29 June 2015
- Igor Žonja	member, 27 June 2011 until 29 June 2015
- Vjekoslav Galzina	member, 26 April 2012 until 29 June 2015
- Blaženka Luketić	member, 27 June 2011 until 27 May 2015

At General Board meeting on 29 June 2015 new members of Supervisory Board were elected, which resulted in Supervisory Board comprised of following members:

- Vjekoslav Leko	President of the Supervisory Board, 10 July 2013 do 9 July 2017
- Domagoj Bartek	member, 29 June 2015 until 29 June2019
- Vjekoslav Galzina	member, 29 June 2015 until 29 June2019
- Igor Žonja	member, 29 June 2015 until 29 June2019
- Miroslav Karamarković	member, 29 June 2015 until 29 June2019
- Milan Stanić	member, 29 June 2015 until 29 June2019
- Blaženka Luketić	Member 27 May until notice

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

Initial application of new amendments to the existing Standards and Interpretation effective for current financial period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for current financial period:

- **Amendments to various standards "Improvements to IFRSs from the 2011–2013 Cycle"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (applicable to annual periods beginning on or after 1 January 2015),
- **IFRIC 21 "Levies"**, adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The adoption of these amendments to the existing standards and interpretations did not cause changes in accounting policies of the Company.

Standards and interpretations issued by IASB and adopted by the European Union, but not yet effective

At the date of authorization of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- **Amendments to IFRS 11 "Joint Arrangements"**– Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" –** Clarification of Acceptable Methods of Depreciation and Amortization - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

Standards and interpretations issued by IASB and adopted by the European Union, but not yet effective (continued)

- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" –** Agriculture: Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 19 "Employee Benefits"** – Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015)
- **Amendments to IAS 27 "Presentation of Financial Statements"** – Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards "Improvements to IFRSs from the 2010-2012 Cycle"**, resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (applicable to annual periods beginning on or after 1 February 2015)
- **Amendments to various standards "Improvements to IFRSs from the 2012-2014 Cycle"**, resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IFRS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (applicable to annual periods beginning on or after 1 January 2016),

2. ADOPTION OF NEW AND REVISED INERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

New Standards and amendments to the existing Standards issued by IASB, but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board ('IASB') except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at the 29 March 2016 (the effective dates stated below is for IFRS in full):

- **IFRS 9 "Financial instruments"** (effective for annual periods beginning on or after 1 January 2018)
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016), – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 15 "Revenue from Contracts with Customers"** and further amendments (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" –** Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded).

The Company anticipates that the adoption of these new standards and amendments to existing standards will not materially affect its financial statements in the period of initial application . At the same time remains unregulated issue of hedge accounting of financial assets and financial liabilities whose principles in the European Union have not yet been adopted .

According to estimates by the Company, the application of hedge accounting to financial assets and financial liabilities in **IAS 39 " Financial Instruments: Recognition and Measurement "** the reporting date would not have a significant impact on the financial statements.

The Company decided to not adopt these standards, revisions and interpretations before their effective dates. The Company anticipates that the acquisition will have no material impact on its financial statements in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Statement of compliance

The unconsolidated financial statements are prepared in accordance with International Financial Reporting Standards.

3.2. Basis of preparation

The unconsolidated financial statements of the Company have been prepared on the historical cost basis, except of particular financial instruments, in accordance with International Financial Reporting Standards adopted by the European Union and Croatian laws.

The Company maintains its accounting records in the Croatian language, in Croatian Kuna and in accordance with Croatian laws and the accounting principles and practices observed by enterprises in Croatia. The accounting records of the Company's subsidiaries in Croatia and abroad are maintained in accordance with the requirements of the respective local jurisdictions.

The Company has prepared consolidated financial statements for Đuro Đaković Holding d.d. and its subsidiaries, and for a better understanding of the Group as a whole, users should read the consolidated financial statements related to these unconsolidated financial statements.

The preparation of unconsolidated financial statements in conformity with International Financial Reporting Standards (IFRSs) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the unconsolidated financial statements are disclosed in Note 3.24.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for products, goods or services sold in the regular course of the Company's operations. Revenues are stated net of value added tax, estimated returns, discounts and rebates.

The Company recognizes revenue when the amount of the revenue can be measured reliably, when future economic benefits will flow into the Company and when the specific criteria for all the Company's activities described below are met.

a) Service sales

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

b) Construction contract revenue

When it is possible to reliably estimate the outcome of construction contracts, revenues and expenses are recognized according to the degree of physical completion of contracted work to date. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. If it is probable that total contract costs will exceed total contract revenue, the expected loss is immediately recognized as an expense in the period in which they occur.

c) Product and service sales

Product and service sales are recognised when all significant risks and rewards of ownership of the product or goods are passed onto the customer and when the revenue can be measured reliably.

d) Interest income

Interest income is recognised on a time basis, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4. Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs of construction contracts are recognized according to the stage of completion of contracted activities at the end of the reporting period, as measured by the proportion of contract costs incurred based on tasks performed by that date in relation to the estimated total contract costs unless such a display would not objectively reflect the stage of completion.

Deviations from contract work, claims and incentive payments are included in income if their related amount can be reliably determined and if their receipt is considered probable. If the outcome of a construction contract can not be estimated reliably, revenue per contract are recognized to the extent of contract costs incurred that are likely to be recovered.

Contract costs are recognized as an expense in the period in which they occur. If it is probable that total contract costs will exceed the total income under the contract, the expected loss is recognized immediately as an expense.

If up to the reporting date of contract costs incurred, increased by recognized gains and less recognized losses exceed progress invoiced amount, the excess is recorded as a receivable from customers on the basis of the contract works. The provision by which gradually invoiced amounts higher than the agreed costs to the reporting date plus recognized profits and net of recognized losses, the surplus is recorded as a liability to the purchaser on the basis of the contract works. Amounts received before the works were carried out on that is related in the consolidated statement of financial position are presented as a liability on the basis of advances received. Amounts invoiced for work performed by the customer has not paid for in the consolidated statement of financial position are presented as part of trade and other receivables.

3.5. Leases

The Company leases certain property, plant and equipment. Leases of property, plant and equipment under which the Company bears all the risks and rewards of ownership are classified as finance leases. Financial leases are capitalised at the inception of the lease by reference to the lower of the fair value of the underlying asset or the present value of the minimum lease payment. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the finance costs is charged to the statement of comprehensive income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term. Leases under which the Company does not bear all the significant risks and rewards of ownership are classified as operating leases. Payments under operating leases are recognised in the statement of comprehensive income over the term of the underlying lease.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are included in profit or loss in the period in which they are incurred.

3.7. Recognition of borrowing costs

Borrowings are recognised initially at fair value, less transaction costs. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(All amounts are expressed in thousands of kunas)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8. Foreign currency transactions

Functional and reporting currency

Items included in the Company's unconsolidated financial statements are presented in the currency of the primary economic environment in which the Company operates (its functional currency). The unconsolidated financial statements are presented in Croatian kuna, which is both the functional and reporting currency of the Company.

Foreign-currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

The effective exchange rates of the Croatian were as follows:

	31/12/2015	**31/12/2014**
HRK / EUR	7.635047	7.661471
HRK / USD	6.991801	6.302107

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9. Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from the net profit reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or a part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9. Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax laws that have been enacted or substantively enacted by date of the statement of financial position. The measurement of deferred tax liabilities and assets reflects the amount that the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority, and the Company intends to settle its current tax assets and liabilities.

Current and deferred taxes for the period

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity, or where it arises from the initial accounting of a business combination.

In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Value-added tax (VAT)

The Tax Authorities require that VAT is settled on a net basis. VAT on sale and purchase transactions is recognised in the balance sheet on a net basis. If a trade debtor is impaired, the related impairment loss is included in the gross amount of the debtor, which includes VAT.

(All amounts are expressed in thousands of kunas)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10. Computer software

Computer software is capitalised based on the cost of purchase and bringing software into a working condition for its intended use. The cost is amortised over the useful life of an asset.

Type of assets	Annual amortisation rate
Buildings	20%

3.11. Property, plant and equipment

Property, plant and equipment are recognised at cost, less accumulated depreciation. The cost of comprises the purchase price of an asset, including import duties and non-refundable sales taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Maintenance and repairs are expensed as incurred. Where it is obvious that expenses incurred resulted in increase of expected future economic benefits to be derived from the use of an item of property, plant and equipment beyond the originally assessed standard performance of the asset, they are added to the carrying amount of the asset. Gains or losses on the retirement or disposal of fixed assets are recognised in profit or loss for the period in which they arise. Depreciation commences on putting an asset into use. Depreciation is provided so as to write down the cost or revalued amount of an asset, other than land and assets under development, over the estimated useful life of the asset using the straight-line method as follows:

Type of assets	Annual amortisation rate
Buildings	2.5% – 6.67%
Plant and equipment	10% – 20%
Tools, plant fittings and fixtures, and vehicles	10% – 20%
Intangible assets	20%

In 2015 there were no changes in the depreciation rates versus comparative periods.

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its useful life. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date. If the carrying amount of an asset exceeds its estimated recoverable amount, it is written down immediately to its recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12. Impairment of property, plant and equipment, and of intangible assets

At each reporting date the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is an indication that the assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or a cash-generated unit) is estimated to be less that its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13. Investment property

Investment property is property (land and buildings) the Company holds for the purpose of generating rentals and capital appreciation. Investment property is measured initially at cost. They are measures subsequently at cost less accumulated depreciation and accumulated impairment losses.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use as well as when no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3.14. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable direct labour costs and those overhead costs that have been incurred in bringing inventories to their present location and condition.

Where the carrying amount of inventories is to be written down to their net realisable value, an allowance is recognised and charged to expenses for the year.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Small inventory includes tools, plant and office furniture and fittings and similar items that are expected to be used for a period of up to one year, as well as assets not considered fixed assets. The cost of small inventories and tyres as well as spare parts is expensed immediately. Merchandise comprises purchased goods on stock for further sale and is carried at the selling prices net of value-added tax and margins. Inventories of work in progress and finished products are carried at the lower of cost and net realisable value, while taking into account potential fluctuations of the cost of production during the year. On sale, the carrying amounts of inventories are recognised as expenses in the period in which the related revenue is recognised. In addition, any write downs of inventories to the net realisable value and any shortfalls are recognised as expenses in the period of the write-down i.e. in which the shortfall is identified. Write-downs reversed as a result of increased net realisable value are recognised as a reduction of the inventories recognised as an expense in the period of the reversal.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15. Trade receivables and prepayments

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, if significant, using the effective interest method. Otherwise, they are measured at nominal amounts, less an allowance for impairment. Impairment is made whenever there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, the probability of bankruptcy proceedings at the debtor, or default or delinquency in payment are considered objective evidence of impairment. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment allowance on trade receivables is captured in the consolidated statement of comprehensive income under value adjustments.

3.16. Cash and cash equivalents

Cash comprises account balances with banks, cash in hand, deposits and securities at call or with maturities of less than three months.

3.17. Share capital

Share capital consists of ordinary shares. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of the consideration received over the par value of the shares issued is presented in the notes as a share premium.

The consideration paid for purchases of own shares, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18. Employee benefits

a) Obligations in respect of retirement and other post-employment benefits

In the normal course of business the Company makes payments, through salary deductions, to mandatory pension funds on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recognised as salary expense when incurred. The Company does not operate any other retirement benefit plan and, consequently, has no other obligations in respect of the retirement benefits for its employees. In addition, the Company is not obliged to provide any other post-employment benefits.

b) Regular retirement benefits

Benefits falling due more than 12 months after the reporting date are discounted to their present value.

c) Long-term employee benefits

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actual gains and losses are recognised in the period in which they arise.

Past service cost is recognised immediately to the extent that the benefits are already vested. Otherwise, it is amortised on a straight-line basis over certain period until the benefits become vested.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the current best estimate. Where the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. Where discounting is used, the reversal of such discounting in each year is recognised as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the date of the statement of financial position, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A restructuring provision is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20. Contingent liabilities

Contingent liabilities have not been recognised in these financial statements. They are disclosed unless the possibility of outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but it is disclosed when the inflow of economic benefits becomes probable.

3.21. Events after the reporting period

Events after the end of the reporting period that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3.22. Financial assets

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through statement of comprehensive income, which are initially measured at fair value.

Financial assets are classified into as 'financial assets at fair value through profit or loss' (FVTPL), 'investments held to maturity' (HTM), 'available-for-sale financial assets' (AFS) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22. Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a Company of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the unconsolidated statement of comprehensive income. The net gain or loss recognised in the unconsolidated statement of comprehensive income incorporates any dividend or interest earned on the financial asset. The fair value is determined as described in Note 35.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost determined using the effective interest method, less any impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22. Financial assets (continued)

Financial assets available for sale

Available-for-sale (AFS) financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Unlisted shares and listed redeemable notes held by the Company that are traded in an active market are classified as being AFS and are stated at fair value. Fair value is determined as described in Note 36, and gains and losses arising from changes in fair value are recognised directly in equity in the revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the unconsolidated statement of comprehensive income. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the revaluation reserve is included in the unconsolidated statement of comprehensive income for the period.

Dividends on AFS equity instruments are recognised in the unconsolidated statement of comprehensive income when the Company's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in the unconsolidated statement of comprehensive income, and other changes are recognised in equity.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade, loan and other receivables with fixed or determinable payments are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22. Financial assets (continued)

Impairment of financial assets

Financial assets, other than those carried at fair value through profit or loss, are assessed for indications of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For an equity instrument classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 360 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22. Financial assets (continued)

Impairment of financial assets (continued)

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss for the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23. Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

3.24. Comparatives

Where necessary, comparative information has been reclassified to conform to the current year's presentation. In 2015 there was no significant material reclassification.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described above, the Management Board is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Impairment of property, plant and equipment

Measurement of the useful lives of assets is based on historical experience with similar assets as well as predicted changes in the economic environment and factors relating to the industry in which the Company operates. The appropriateness of the estimated useful life is reviewed annually, or whenever there is an indication of significant changes in the assumptions. We believe that this is important accounting estimate due to the significant proportion of depreciable assets in total assets, and the impact of significant changes in these assumptions could be material effect on the financial position and business results of the Company.

Impairment allowance on trade receivables

Management provides for doubtful receivables based on a review of the overall ageing of all receivables and a specific review of significant individual amounts receivable. The allowance for amounts doubtful of collection is charged to the statement of comprehensive income for the year.

Revenue recognition

In making their judgement, the directors considered the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18 Revenue and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed quantification of the Company's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, the directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with the recognition of an appropriate provision for the rectification costs. In addition, when recognizing revenue under construction contracts in accordance with IAS 11, the Management is satisfied that the stages of completion of the projects to be recognized in accordance with IAS 11 have been reasonably estimated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20. Critical accounting judgements and key sources of estimation uncertainty (continued)

Consequences of certain legal actions

The Company is involved in legal actions and proceedings, which have arisen from the regular course of their operations. The management makes estimates when the probable outcome of a legal action has been assessed, and the provisions are recognised on a consistent basis.

Actuarial estimates used in determining the retirement benefits

The cost of defined benefits is determined using actuarial estimates. Actuarial estimates involve assumptions about discount rates, future salary increases and the mortality or fluctuation rates. Because of the long-term nature of those plans, there is uncertainty surrounding those estimates.

(All amounts are expressed in thousands of kunas)

4. SALES INCOME

	2015	2014
Sales to unrelated parties	140,136	135,491
Sales to subsidiaries	6,896	5,290
	147,032	**140,781**

5. OTHER INCOME

	2015	2014
Income from assets sale*	27,242	-
Rental income	3,826	2,401
Income from billed, written-off receivables**	543	22,374
Income from damages and penalties collected	19	174
Other operating income	43	363
	31,673	**25,312**

*Income from assets sale in 2015 refers to sale of equipment and property to subsidiaries in Đuro Đaković Group and it refers to sale of property to Croatian chamber of dental medicine.

**Income from billed, written-off receivables in 2015 in the amount HRK 543 thousand refers to billed (paid) receivables from Đuro Đaković Elektromont d.d. in the amount HRK 362 thousand and Đuro Đaković Proizvodnja opreme d.o.o. in the amount HRK 172 thousand, and in 2014 income from billed, written-off receivables in the amount HRK 22,374 thousand refers to billed (paid) receivables form Đuro Đaković Elektromont d.d. in the amount HRK 3,008 thousand, Đuro Đaković Specijalna vozila d.d. in the amount HRK 605 thousand, Đuro Đaković Proizvodnja opreme d.o.o. in the amount HRK 1,426 thousand, Đuro Đaković Energetika i infrastruktura d.o.o. in the amount HRK 5,711 thousand and Đuro Đaković Strojna obrada d.o.o. in the amount HRK 11,622 thousand.

(All amounts are expressed in thousands of kunas)

6. MATERIAL EXPENSES

	2015	2014
Cooperate costs*	134,283	104,116
Raw material and supplies	3,689	8,562
Intellectual services	3,178	3,095
Maintenance and repairs	379	827
Transport	375	529
Rental expense	307	715
Advertising and sponsorships	163	312
Other external costs**	2,313	2,203
	144,687	**120,359**

*Cooperate costs in 2015 refer to expenses based on contracted projects HEP Proizvodnja d.o.o. TE-TO Zagreb, HEP BE-TO Osijek, HEP BE-TO Sisak, INA d.d. Sisak (Blowdown), INA d.d. Vučkovec, INA d.d. Vukanovec, te INA d.d. Zagreb (spherical tanks), and in 2014 costs refer to expenses based on contracted projects INA d.d. Sisak (Blowdown), HEP Proizvodnja d.o.o. TE-TO Zagreb, INA d.d. Zagreb (spherical tanks), JANAF d.d. Žitnjak, HŽ Infrastruktura d.o.o. Buzin, INA d.d. Vukanovec, HŽ Infrastruktura d.o.o. Vrbovsko, JANAF d.d. Omišalj.

**Other external costs refer to:

	2015	2014
Services of Securitas d.o.o. (property safeguarding)	920	1,030
Utilities	538	416
Services of Free Zone ĐĐ d.o.o.	423	417
Factoring costs	249	216
Design services costs	109	-
Other external costs	74	124
	2,313	**2,203**

(All amounts are expressed in thousands of kunas)

7. STAFF EXPENSES

	2015	2014
Net wages and salaries	3,535	6,321
Taxes and contributions out of salaries	1,904	2,430
Contributions on salaries	987	1,533
	6,426	**10,284**

At 31 December 2015, there were 30 persons employed at the Company (2014: 34 employees).

8. OTHER EXPENSES

	2015	2014
Provisions for penalties under construction contracts*	4,262	20,279
Bank charges	1,624	2,239
Insurance	672	670
Daily allowances, accommodation, transport and field work allowances	539	824
Membership fees, taxes and contributions	508	349
Expenses for employees and material rights	167	311
Retirement and long service benefits	165	184
Entertainment	150	274
Other expenses**	1,332	2,194
	9,419	**27,324**

*Provisions for penalties under construction contracts in 2015 refer to provisions for projects INA d.d. (spherical tanks) (HRK 397 thousand, closing of provision due to project completion), HEP Proizvodnja d.o.o. TE-TO Zagreb (HRK 2,214 thousand) and INA d.d. Sisak (Blowdown) (HRK 1,651 thousand), and in 2014 it refer to provisions for projects HEP Proizvodnja d.o.o. TE-TO Zagreb (HRK 7,923 thousand), INA d.d. Sisak (Blowdown) (HRK 7,290 thousand), INA d.d. Vučkovec (HRK 2,823 thousand), INA d.d. Zagreb (spherical tanks) (HRK 1,646 thousand), HŽ Infrastruktura d.o.o. Buzin (HRK 405 thousand) and HŽ Infrastruktura d.o.o. Vrbovsko (HRK 192 thousand).

(All amounts are expressed in thousands of kunas)

8. OTHER EXPENSES (CONTINUED)

**Other expenses in 2015:

	2015	2014
Management fees	309	494
Supervisory board	287	310
Software maintenance	77	111
Registration fees	68	29
Graphical services and translation costs	46	-
Other costs	545	1,250
	1,332	**2,194**

9. IMPAIRMENT ALLOWANCE

	2015	2014
Impairment allowance on trade receivables and related parties	-	8,123
Impairment allowance on investments in shares	-	697
	-	**8,820**

10. OTHER OPERATING EXPENSES

	2015	2014
Expense of purchased (sold) goods	8,608	-
Net book value of disposed assets	4,977	73
Net book value of sold assets	606	-
Penalties and damages	40	56
Other operating expenses	410	46
	14,641	**175**

(All amounts are expressed in thousands of kunas)

11. FINANCE REVENUE

	2015	2014
Interest income	11,017	8,922
Foreign exchange gains	707	48
	11,724	**8,970**

12. FINANCIAL EXPENSES

	2015	2014
Interest expense	4,801	2,270
Foreign exchange losses	1,106	229
	5,907	**2,499**

(All amounts are expressed in thousands of kunas)

13. INCOME TAX

	2015	2014
Current tax	-	-
Deferred tax	-	-
Income tax recognised in the statement of comprehensive income	-	-

The reconciliation of the income tax expense for the year to the accounting profit is as follows:

	2015	2014
Income profit before taxation	**5,583**	**3,654**
Income tax at the rate of 20% (2014: 20%)	1,117	731
Effect of tax non-deductible expenses	(241)	(3,051)
Effect of non-taxable income	(876)	2,320
Income tax expense	-	-

In accordance with the tax legislation, the Tax Administration may, at any time, inspect the books and records of 'the Company within three years from the end of the year in which the tax liability is reported and may impose additional tax liabilities and penalties. The Company's management is not aware of any circumstances that may give rise to a potential material liability in this respect.

(All amounts are expressed in thousands of kunas)

13. INCOME TAX (CONTINUED)

Unused tax losses carried forward

	2015	**2014**
Unused tax losses carried forward	16,728	16,728
	16,728	**16,728**

Unused tax losses carried forward can be used to:

	2015	**2014**
2018 (tax losses from 2013)	5,128	5,128
2019 (tax losses from 2014)	11,600	11,600
2020 (tax losses from 2015)	-	-
	16,728	**16,728**

No deffered tax assets were recognised in the unconsolidated statement of financial position in respect of unused tax losses because the realisation of sufficient taxable profits that will allow the deferred tax assets to be recovered is not certain.

(All amounts are expressed in thousands of kunas)

14. SOFTWARE

	Software
Purchase value	
Balance at 31 December 2014	**108**
Additions	-
Disposals, retirements, shortage	-
Reclassification	348
Balance at 31 December 2015	**456**
Impairment	
Balance at 31 December 2014	**108**
Depreciation	15
Disposals, retirements, shortage	295
Balance at 31 December 2015	**418**
Net book value	
At 31 December 2015	**38**
At 31 December 2014	**-**

On 31 December 2014 as a part of property, plant and equipment, purchase value of and accumulated depreciation of computer software was stated. Book value of mentioned computer software on the day 31 December 2014 was HRK 53 thousand. The company reclassified computer software on 31 December 2015 in appropriate note.

(All amounts are expressed in thousands of kunas)

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Tools, plant fittings and fixtures, and vehicles	Assets under development	Total
Purchase value					
Balance at 31 December 2013	**7,223**	**27,855**	**8,274**	**-**	**43,352**
Additions	-	3,744	330	50,679	54,753
Disposals, retirements, shortage	-	-	(844)	-	(844)
Balance at 31 December 2014	**7,223**	**31,599**	**7,760**	**50,679**	**97,261**
Additions	-	-	18,770	9,180	27,950
Disposals, retirements, shortage	-	-	(1,691)	-	(1,691)
Purchase value of assets entered in subsidiary's capital	-	(3,744)	-	-	(3,744)
Reclassification on software	-	-	(348)	-	(348)
Balance at 31 December 2015	**7,223**	**27,855**	**24,491**	**59,859**	**119,428**

(All amounts are expressed in thousands of kunas)

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land	Buildings	Tools, plant fittings and fixtures, and vehicles	Assets under development	Total
Impairment					
Balance at 1 January 2013	-	**12,862**	**6,035**	-	**18,897**
Depreciation	-	764	664	-	1,428
Disposals, retirements, shortage	-	-	(771)	-	(771)
Balance at 31 December 2014	-	**13,626**	**5,928**	-	**19,554**
Depreciation	-	741	2,460	-	3,201
Disposals, retirements, shortage	-	-	(327)	-	(327)
Accumulated depreciation of assets entered in subsidiary's capital	-	(131)	-	-	(131)
Reclassification on software	-	-	(295)	-	(295)
Balance at 31 December 2015	-	**14,236**	**7,766**	-	**22,002**
Net book value					
At 31 December 2015	**7,223**	**13,619**	**16,725**	**59,859**	**97,426**
At 31 December 2014	**7,223**	**17,973**	**1,832**	**50,679**	**77,707**

Net book value of property, plant and equipment given as collateral for received loans is HRK 28,007 thousand on 31 December 2015. Of that amount, HRK 17,444 thousand refers to value of property, plant and equipment given as collateral for HBOR loan, HRK 5,601 thousand refers to value of property, plant and equipment given to Croatia Bank d.d. as collateral, and HRK 4,962 thousand refers to value of property, plant and equipment given as collateral to OTP Bank d.d.

(All amounts are expressed in thousands of kunas)

16. INVESTMENT PROPERTIES

Purchase value	
Balance at 31 December 2013	**20,038**
Additions	-
Disposals	-
Balance at 31 December 2014	**20,038**
Additions	2,737
Disposals	(1,372)
Balance at 31 December 2015	**21,403**
Impairment	
Balance at 31 December 2013	**7,769**
Depreciation	520
Balance at 31 December 2014	**8,289**
Depreciation	550
Disposals	(766)
Balance at 31 December 2015	**8,073**
Net book value	
At 31 December 2015	**13,330**
At 31 December 2014	**11,749**

(All amounts are expressed in thousands of kunas)

17. INVESTMENT IN SUBSIDIARIES

	31 December 2015	31 December 2014
Đuro Đaković Specijalna vozila d.d.*	166,069	90,564
Impairment in u Đuro Đaković Specijalna vozila d.d.	(137,938)	(90,564)
Đuro Đaković Energetika i infrastruktura d.o.o.	31,858	31,858
Impairment in Đuro Đaković Energetika i infrastruktura d.o.o.	(21,163)	(21,163)
Đuro Đaković Elektromont d.d.	23,723	23,723
Impairment in Đuro Đaković Elektromont d.d.	(23,660)	(23,660)
Đuro Đaković Strojna obrada d.o.o.	12,330	12,330
Impairment in Đuro Đaković Strojna obrada d.o.o.	(5,218)	(5,218)
Đuro Đaković Proizvodnja opreme d.o.o.	6,661	6,661
Impairment in Đuro Đaković Proizvodnja opreme d.o.o.	(6,661)	(6,661)
Đuro Đaković Inženjering d.d.	(5,483)	5,454
Impairment in u Đuro Đaković Inženjering d.d.	(5,454)	(5,454)
Slobodna zona Đuro Đaković d.o.o.	3,144	3,144
Impairment in Slobodna zona Đuro Đaković d.o.o.	(505)	(505)
Đuro Đaković Elektromont d.d. – share in capital reserves	30,000	30,000
Impairment in Đuro Đaković Elektromont d.d.	(30,000)	(30,000)
	48.669	**20,509**

*Đuro Đaković Specijalna vozila d.d. got recapitalized in the amount HRK 75,505 thousand. Company got recapitalized by adding property in their share capital in the amount HRK 8,749 thousand, by the amount HRK 31,180 thousand of long term loans, by the amount HRK 16,022 thousand of short term loans which were transformed into investments Đuro Đaković Holding d.d. now holds in Đuro Đaković Specijalna vozila d.d., and by the amount HRK 19,554 thousand of receivables for interests and services.

(All amounts are expressed in thousands of kunas)

18. LOANS, DEPOSITS AND SIMILAR

	31 December 2015	31 December 2014
Đuro Đaković Proizvodnja opreme d.o.o.	17,932	17,932
Impairment in Đuro Đaković Proizvodnja opreme d.o.o.	(17,932)	(17,932)
Đuro Đaković Elektromont d.d.	17,802	17,802
Impairment in Đuro Đaković Elektromont d.d.	(17,802)	(17,802)
Đuro Đaković Inženjering d.d.	10,575	10,575
Impairment in Đuro Đaković Inženjering d.d.	(10,575)	(10,575)
Đuro Đaković Strojna obrada d.o.o.	4,236	4,236
Đuro Đaković Specijalna vozila d.d.	-	31,180
Impairment in Đuro Đaković Specijalna vozila d.d.	-	(31,180)
Other given loans to unrelated parties	458	425
	4,694	**4,661**

Long term loans to related parties are loaned at 7% interest rate until 30 September 2015, and then at 3% interest rate until 31 December 2015. Change in interest rate is in accordance with the change of discount rate of Croatian National Bank in 2015.

Long term loans are approved for the purpose of long term assets, and are due at the earliest 31 March 2017, and at the latest 31 October 2018.

19. INVESTMENTS IN SECURITIES AND EQUITIES

	31 December 2015	31 December 2014
Investments in shares	8,384	8,384
Impairment of shares	(7,878)	(7,878)
	506	**506**

20. NON-CURRENT RECEIVABLES

	31 December 2015	31 December 2014
Receivables in respect of credit sales	3,627	4,074
	3,627	**4,074**

Receivables relating to credit sales refer to receivables from employees relating to sales of apartments where there exists a tenant right through a mortgage with a maturity between 20 and 35 years.

(All amounts are expressed in thousands of kunas)

21. INVENTORIES

	31 December 2015	31 December 2014
Goods for sale	1,321	1,321
Raw material and supplies	2	2
	1,323	**1,323**

Goods for sale refer to land in Slavonski Brod intended for sale. On the reporting date, according to Management assessment, assets value impairment indicators have not been noted.

22. RECEIVABLES FROM CUSTOMERS

	31 December 2015	31 December 2014
Domestic trade receivables	49,584	34,055
Impairment allowance on trade receivables	(11,315)	(11,324)
	38,269	**22,731**

Aging structure of receivables where impairment isn't recognized:

	31 December 2015	31 December 2014
Not yet due	37,391	22,441
1-60 days	171	159
60-90 days	93	13
90-180 days	315	11
180-365 days	165	90
Over 365 days	134	17
	38,269	**22,731**

Receivables that matured past 365 days mostly refer to trade receivables for construction contracts, which have a right on keeping a percentage of the contracted amount on deposit until the guarantee period relating to completed works expires. These receivables aren't doubtful and will be cashed when the guarantee period expires.

Impairment movement of suspicious receivables:

	2015	2014
At 1 January	11,324	11,175
Impairment	-	149
Impairment decrease	(9)	-
At 31 December	**11,315**	**11,324**

(All amounts are expressed in thousands of kunas)

23. OTHER RECEIVABLES

	31 December 2015	31 December 2014
Given advances*	4,341	17,507
Receivables from the State and other institutions	1,495	1,199
Other receivables	114	132
	5,950	**18,838**

*Given advances on 31 December 2015 for the most part refer to advance to suppliers for long term assets in the amount HRK 3,789 thousand, and advances for projects (HŽ Infrastruktura d.o.o., Buzin and Vrbovsko, HEP Proizvodnja d.o.o. TE-TO, INA d.d. Blowdown), and on 31 December 2014 they referred to advance to suppliers for long term assets in the amount HRK 16,729 thousand, and advances for projects (HŽ Infrastruktura d.o.o., Buzin and Vrbovsko, HEP Proizvodnja d.o.o. TE-TO, INA d.d. Blowdown, JANAF d.d. Omišalj and Žitnjak).Decrease in advances in 2015 is caused by completion of projects and closing of given advances.

24. GIVEN LOANS TO SUBSIDIARIES

An overview of given loans to related parties as of 31 December 2013 is shown in the next table:

Company	Interest rate	31 December 2015	31 December 2014
Đuro Đaković Proizvodnja opreme d.o.o.	6%-7%	35,248	25,265
Impairment in Đuro Đaković Proizvodnja opreme d.o.o.		(18,550)	(18,500)
Đuro Đaković Industrijska rješenja d.d.	7%	25,206	11,026
Impairment of Đuro Đaković Industrijska rješenja d.d.		(5,586)	(5,586)
Đuro Đaković Specijalna vozila d.d.	7%	23,998	16,022
Impairment in Đuro Đaković Specijalna vozila d.d.		-	(9,522)
Đuro Đaković Elektromont d.d.	7%	21,556	7,500
Impairment of Đuro Đaković Elektromont d.d.		(1,000)	(1,000)
Đuro Đaković Energetika i infrastruktura	6%-7%	8,495	6,185
Đuro Đaković Strojna obrada d.o.o.	7%	1,200	140
		90,567	**31,480**

The company has approved short term loans to related parties for purpose of maintaining their liquidity. The loans are due at the earlies January 2016, and due at the latest December 2016.

(All amounts are expressed in thousands of kunas)

25. OTHER FINANCIAL ASSETS

Other financial assets on 31 December 2015 refer to guarantee deposit HBOR in the amount HRK 5,004 thousand, interest-free, due 30 June 2016, guarantee deposit Croatia Bank d.d. in the amount HRK 1,100 thousand, interest rate 0,15%, due 30 March 2016, and guarantee deposit VMD Group d.o.o. in the amount HRK 26 thousand, interest-free, due 28 October 2018. On the 31 December 2014 other financial assets referred to term deposits in KENT Bank d.d. in the amount HRK 20,000 thousand, fixed interest rate of 2.3%.

26. CASH AND CASH EQUIVALENTS

	31 December 2015	31 December 2014
Gyro account	138	28,776
Foreign currency account	471	4
	609	**28,780**

27. PREPAID EXPENSES AND ACCRUED INCOME

	31 December 2015	31 December 2014
Prepaid expenses on construction contracts	18,399	7,415
	18,399	**7,415**

Prepaid expenses on construction contracts on 31 December 2015 refer to projects Hrvatska Elektroprivreda d.d. Osijek (HRK 8,479 thousand), Hrvatska Elektroprivreda d.d. Sisak (2,812 thousand kunas), INA d.d. Vukanovec (HRK 2,401 thousand), INA d.d. Vučkovec (HRK 1,764 thousand), INA d.d. Sisak (Blowdown) (HRK 1,638 thousand), HEP Proizvodnja d.o.o. Zagreb TE-TO (HRK 1,305 thousand), and on 31 December 2014 it referred to projects HEP Proizvodnja d.o.o. Zagreb TE-TO (HRK 3,519 thousand), INA d.d. Sisak (Blowdown) (3,289 thousand kunas), INA d.d. (spherical tanks) (HRK 397 thousand) and INA d.d. Vukanovec (HRK 210 thousand).

(All amounts are expressed in thousands of kunas)

28. SHARE CAPITAL

At 31 December 2015 the share capital amounts to HRK 151,934 thousand and consists of 7,596,684 shares (31 December 2014: HRK 151,934 thousand, consisting of 7,596,684 shares).

The ownership structure is set out below:

	Number of shares		Ownership in %	
	2015	**2014**	**2015**	**2014**
DUUDI / Republic of Croatia	3,079,233	3,814,552	40.53%	50.21%
Bakić Nenad	862,670	872,818	11.36%	11.49%
DUUDI / HZMO	660,000	660,000	8.69%	8.69%
Hypo Alpe-Adria Bank d.d./PBZ CO OMF – category B	288,740	288,740	3.80%	3.80%
PBZ d.d./PBZ-SP	210,291	210,291	2.77%	2.77%
CERP/Republic of Croatia	184,035	-	2.42%	-
DUUDI / State agency for deposits insurance and recovery	104,771	104,771	1.38%	1.38%
ĐURO ĐAKOVIĆ Holding d.d.	46,993	46,998	0.62%	0.62%
Interkapital vrijednosni papiri d.o.o. / Joint custody account for DF	28,642	-	0.38%	-
OTP Banka d.d. / INS683	22,130	15,000	0.29%	0.20%
OTP Banka d.d. / INE805	22,000	-	0.29%	0.20%
Primorska banka d.d. Rijeka/Joint custody account of private banking client - DF	17,892	20,375	0.24%	0.27%
PBZ d.d.	-	50,947	-	0.67%
Others	2,069,287	1,512,192	27.24%	19.91%
	7,596,684	**7,596,684**	**100.00%**	**100.00%**

(All amounts are expressed in thousands of kunas)

29. RETAINED PROFIT

	31 December 2015	31 December 2014
Balance 1 January	3,654	(188,890)
Transfer from share capital to cover the loss	-	188,890
Profit for the year	5,583	3,654
Balance 31 December	**9,237**	**3,654**

Basic and diluted earnings per share

The basic earnings per share is calculated by dividing the Company's net income with the weighted average number of common stock reduced by the weighted average number of common stock the Company repurchased and holds as treasury stock.

	2015	2014
Profit of current year transferred to retained earnings	5,583	3,654
Weighted average number of common stock used in calculating basic earnings per share	7,596	7,549
Basic loss per share (in kunas and lipas)	**0.74**	**0.48**

The diluted earnings per share is the same as basic earnings per share because there are no changes in the weighted average number of outstanding shares.

(All amounts are expressed in thousands of kunas)

30. PROVISIONS

	31 December 2015	31 December 2014
Provisions for jubilee awards	15	19
	15	**19**

The provision movement table is shown below:

	31 December 2015	31 December 2014
At 1 January	19	42
New provisions during the year	-	-
Used /reversed provisions	(4)	(23)
At 31 December	**15**	**19**

31. OTHER NON-CURRENT LIABILITIES

	31 December 2015	31 December 2014
Amounts owed to the State budget	5,740	5,978
	5,740	**5,978**

The liabilities to the State budget and to its' employees amount to HRK 5,740 thousand (2014: HRK 5,978 thousand) and relate to sold apartments on which there are existing tenant rights.

(All amounts are expressed in thousands of kunas)

32. BORROWINGS AND FINANCE LEASE OBLIGATIONS

	31 December 2015	31 December 2014
Non-current liabilities		
Long- term borrowings	133,736	51,722
Finance lease obligations	-	145
Current portion of long term borrowings and financial leases	(14,380)	(10,371)
	119,356	**41,496**
Current liabilities		
Current portion of long-term borrowings	14,380	10,323
Current portion of financial leases	-	48
Short-term borrowings	7,754	1,242
	22,134	**11,613**
Total	**141,490**	**53,109**

At 31 December 2015 the net book value of the property, plant and equipment provided as collateral for received loans amounted to HRK 28,007 thousand. Of the stated amount HRK 17,444 thousand refers to value of the property, plant and equipment provided as collateral to HBOR loan, HRK 5,601 thousand refers to value of the property, plant and equipment provided as collateral to Croatia Bank d.d., and HRK 4,962 thousand refers to value of the property, plant and equipment provided as collateral to OTP Bank d.d.

Loan movement

	2015	2014
Balance at 1 January	**53,109**	**23,349**
New loans raised	119,973	67,963
Amounts repaid	(31,796)	(38,203)
Exchange rate fluctuations	204	-
Balance at 31 December	**141,490**	**53,109**

(All amounts are expressed in thousands of kunas)

32. BORROWINGS AND FINANCE LEASE OBLIGATIONS (CONTINUED)

Creditor	Maturity	Interest rate	Currency	At 31/12/2015	At 31/12/2014
Long-term borrowings					
Croatian Bank for Reconstruction and Development (HBOR)	31 December 2028	3.00%	EUR	111,427	40,678
KENT Bank d.d.	30 April 2017	5.90% + 1Y EURIBOR	EUR	21,588	10,323
Fund for environmental protection and energy efficiency	1 January 2021	-	HRK	721	721
Porsche leasing Co. 46918			EUR	-	70
Porsche leasing Co. 50665			EUR	-	75
Total long-term borrowings				**133,736**	**51,867**
Less current portion of long-term borrowing				(14,380)	(10,371)
Non-current portion of long-term borrowings				**119,356**	**41,496**

(All amounts are expressed in thousands of kunas)

32. BORROWINGS AND FINANCE LEASE OBLIGATIONS (CONTINUED)

An overview of bank borrowings (maturities, interest rates, balances and currencies) is provided below (continued)

Short-term borrowings	**Maturity**	**Interest rate**	**Currency**	**At 31/12/2015**	**At 31/12/2014**
OTP Bank d.d.	31 March 2016	5.56% + 3M EURIBOR	EUR	4,927	1,242
Approved overdraft on bank account in Croatia Bank d.d.	31 March 2016		HRK	2,827	-
Total short-term borrowings				**7,754**	**1,242**
Current portion of long-term borrowings				14,380	10,323
Current portion of financial lease				-	48
Total short-term borrowings				**22,134**	**11,613**

(All amounts are expressed in thousands of kunas)

33. TRADE PAYABLES

	31 December 2015	31 December 2014
Domestic trade payables	41,928	57,535
Foreign trade payables	18,677	12,336
	60,605	**69,871**

34. OTHER CURRENT LIABILITIES

	31 December 2015	31 December 2014
Advances received*	20,433	3,781
Taxes, contributions and similar duties payable	587	176
Amounts due to employees	264	510
Other current liabilities	47	25
	21,331	**4,492**

*Advances received on 31 December 2015 refer, for the most part, to received advance payments for projects HEP d.d. Sisak (HRK 10,862 thousand), HEP d.d. Osijek (HRK 8,925 thousand), INA d.d. Vučkovec (HRK 337 thousand), HŽ Infrastruktura d.o.o. (HRK 211 thousand), and on 31 December 2014 advance received referred to advanced payments for projects HEP d.d. Zagreb TE-TO (HRK 1,844 thousand), INA d.d. Vučkovec (HRK 1,652 thousand), HŽ Infrastruktura d.d. Vrbovsko (HRK 211 thousand). Increase in advances in 2015 is a direct result of new projects which started in 2015.

(All amounts are expressed in thousands of kunas)

35. RELATED-PARTY AND SUBSIDIARY TRANSACTIONS

Trading transactions

Related parties refer to companies own by the state with whom the Company actualizes transactions during the year, while subsidiaries are companies within Đuro Đaković Group. Transactions entered into by and between the Company and its related parties and it's subsidiaries during the year are as follows:

Operating income

	Sales	
	2015	**2014**
Đuro Đaković Specijalna vozila d.d.	14,756	3,336
Đuro Đaković Industrijska rješenja d.d.*	4,418	810
Đuro Đaković Proizvodnja opreme d.o.o.*	4,015	2,978
Đuro Đaković Strojna obrada d.o.o.	3,616	11,406
Đuro Đaković Elektromont d.d.*	1,378	3,939
Đuro Đaković Energetika i infrastruktura d.o.o.	577	6,124
Slobodna zona Đuro Đaković d.o.o.	1	81
	28,761	**28,674**

Operating expenses

	Costs of goods sold	
	2015	**2014**
Đuro Đaković Industrijska rješenja d.d.*	13,261	4,768
Đuro Đaković Proizvodnja opreme d.o.o.*	9,058	8,875
Đuro Đaković Elektromont d.d.*	4,597	10,767
Đuro Đaković Specijalna vozila d.d.	2,846	2,215
Đuro Đaković Strojna obrada d.o.o.	1,673	-
Đuro Đaković Energetika i infrastruktura d.o.o.	754	-
Slobodna zona Đuro Đaković d.o.o.	425	-
	32,614	**26,625**

*On 27 August 2015 company Đuro Đaković Inženjering d.d. affiliated companies Đuro Đaković Elektromont d.d. and Đuro Đaković Proizvodnja opreme d.o.o. and changed its name to Đuro Đaković Industrijska rješenja d.d. Income, expenses, receivables and liabilities shown for companies Đuro Đaković Elektromont d.d. and Đuro Đaković Proizvodnja opreme d.o.o. originated in the period between 1 January 2015 and 26 August 2015. Income, expenses, receivables and liabilities shown in 2014 for company Đuro Đaković Industrijska rješenja d.d. originated from business transactions of Đuro Đaković Inženjering d.d.

(All amounts are expressed in thousands of kunas)

35. RELATED-PARTY AND SUNSIDIARY TRANSACTIONS (CONTINUED)

Trading transactions (continued)

Open balances from sale and purchase transactions at the end of the reporting period:

	Receivables from related parties and subsidiaries	
	2015	**2014**
Hrvatska Elektroprivreda d.d.	22,242	-
INA – Industrija nafte d.d.	7,316	8,026
HEP Proizvodnja d.o.o.	4,520	8,522
Elektrocentar Petek d.o.o.	2,514	-
Receivables from companies in State ownership	**36,592**	**16,548**
Đuro Đaković Industrijska rješenja d.d.	29,295	23,479
Đuro Đaković Proizvodnja opreme d.o.o.	15,962	11,227
Đuro Đaković Specijalna vozila d.d.	10,600	12,883
Đuro Đaković Elektromont d.d.	9,941	9,543
Đuro Đaković Strojna obrada d.o.o.	7,692	3,243
Đuro Đaković Energetika i infrastruktura d.o.o.	1,475	1,307
Receivables from subsidiaries	**74,965**	**61,682**
Total	**111,557**	**78,230**

	Liabilities to related parties parties and subsidiaries	
	2015	**2014**
HOST B.V.	12,813	-
SIEMENS d.d.	7,887	6,539
Montmontaža-oprema d.o.o.	4,702	8,067
Liabilities due to companies in State ownership	**25,402**	**14,606**
Đuro Đaković Slobodna zona d.o.o.	1,046	875
Đuro Đaković Proizvodnja opreme d.o.o.	477	477
Đuro Đaković Elektromont d.d.	379	702
Đuro Đaković Industrijska rješenja d.d.	208	25
Đuro Đaković Energetika i infrastruktura d.o.o.	171	-
Liabilities to subsidiaries	**2,281**	**2,079**
Total	**27,683**	**16,685**

(All amounts are expressed in thousands of kunas)

35. RELATED-PARTY AND SUBSIDIARY TRANSACTIONS (CONTINUED)

Given short term loans to related parties:

	Receivables from subsidiaries (short term loans)	
	2015	**2014**
Đuro Đaković Specijalna vozila d.d.	23,998	6,500
Đuro Đaković Elektromont d.d.	20,556	6,500
Đuro Đaković Industrijska rješenja d.d.	19,620	5,440
Đuro Đaković Proizvodnja opreme d.o.o.	16,698	6,715
Đuro Đaković Energetika i infrastruktura d.o.o.	8,495	6,185
Đuro Đaković Strojna obrada d.o.o.	1,200	140
Total	**90,567**	**31,480**

Given long term loans to related parties:

	Receivables from subsidiaries (long term loans)	
	2015	**2014**
Đuro Đaković Strojna obrada d.o.o.	4,236	4,236
Total	**4,236**	**4,236**

(All amounts are expressed in thousands of kunas)

35. RELATED-PARTY TRANSACTIONS (CONTINUED)

Remuneration to key management personnel

	2015	2014
Salaries	1,911	4,077
Other	264	846
	2,175	**4,923**

36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance. The overall strategy of the Company did not change in comparison to comparative period. The Company's capital consists of equity, which comprises share capital, retained profit and reserves.

The Treasury of the Company reviews the capital structure of the Company. As part of this review, the Treasury considers the cost of capital and the risks associated with each class of capital.

Financing coefficient

	2015	2014
Debt (i)	(141,490)	(53,109)
Cash and cash equivalents	609	28,780
Net debt	**(140,881)**	**(24,329)**
Share capital (ii)	173,477	167,845
Ratio of debt and capital %	0.81	0.14

(i) Debt contains liabilities from long term and short term loans and financial leasing, as stated in note 32.

(ii) Share capital includes subscribed share capital and retained profit which Company manages as share capital.

(All amounts are expressed in thousands of kunas)

36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Categories of financial instruments

	2015	**2014**
Financial assets		
Given loans to related parties	94,803	35,716
Receivables from related parties	74,965	61,682
Receivables	38,269	22,731
Prepaid expenses and accrued income	18,399	7,415
Other financial assets	6,130	20,000
Other receivables	4,455	17,639
Non-current receivables	3,627	4,074
Cash and cash equivalents	609	28,780
Investments in securities and shares	506	506
Given loans, deposits and similar	458	425
Other non-current financial assets	38	40
	242,259	**199,008**

	2015	**2014**
Financial liabilities		
Loan and lease liabilities	141,490	53,109
Trade payables	60,605	69,871
Other current liabilities	21,282	4,492
Other non-current liabilities	5,740	5,978
Trade payables to related parties	2,281	2,079
Accrued expenses and deferred income	-	8,102
	231,398	**143,631**

At the reporting date there were no significant concentrations of credit risk for loans and receivables designated at fair value through the statement of comprehensive income. The carrying amount reflected above represents the Company's maximum exposure to credit risk for such loans and receivables

36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management objectives

The Treasury function of the Company co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks.

These risks include market risk including price risk, then credit risk and liquidity risk.

The Company seeks to minimise the effects of these risks. The Company does not enter into, or trade in financial instruments, including derivative financial instruments, for speculative purposes. The Treasury function periodically reports to the Company's management on the risk exposures.

Market risk

The Company's activities expose it primarily to the financial risks of primarily related to price risk as it signs construction contracts with fixed price. The Company manages with this risk by charging investors additional costs occurred, which have not been budgeted. This is possible only in the event of increased scope of works.

36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of dealing with creditworthy counter parties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from default. The exposure of the Company and the credit ratings of its counterparties are continuously monitored, and the total value of transactions entered into is spread across accepted customers. Credit exposure is managed by setting limits to customers.

Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The Company's Treasury monitors carefully credit risk concentrations on receivables because of a concentration of a large number of three major customers: Hrvatska elektroprivreda d.d. and INA- industrija nafte d.d. So far, the Company has had no major problems with the collection of receivables from the key customers. Receivables from Hrvatska elektroprivreda d.d. represent 19% of total trade receivables as of 31 December 2015 (31 December 2014: 0%), and receivables from INA- industrija nafte d.d. represent 6% (31 December 2014: 8%) of total trade receivables.

Collateral held as security and other credit enhancements

The Company commonly accepts bank guarantees, debentures and bills of exchange of its customers.

Liquidity risk management

Prudent liquidity management implies maintaining sufficient levels of cash, obtaining adequate funding using credit lines and facilities and the ability to settle the liabilities on a timely basis. It also involves matching the maturities of assets and liabilities to maintain appropriate liquidity levels. Ultimate responsibility for liquidity risk management rests with the Management Board. The Company manages its liquidity by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The cash flow forecasts are prepared on a monthly basis (by day) and departures are monitored daily.

Liquidity and interest rate risk tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both principal and interest cash flows. The undiscounted cash outflows on interest at variable rates was derived from interest rate curves at the end of the reporting period. The contractual maturity is determined as the earliest date on which the Company may be required to pay.

(All amounts are expressed in thousands of kunas)

36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk management (continued)

	Weighted average effective interest rate	Up to 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Total
2015						
Non-interest bearing liabilities		34,408	8,316	40,928	6,209	**89,861**
Interest bearing liabilities	3%, 5.15% and 5.90%	430	1,524	102,991	43,166	**148,111**
		34,838	**9,840**	**143,919**	**49,375**	**237,972**
2014						
Non-interest bearing liabilities		18,199	35,935	34,309	-	**88,443**
Interest bearing liabilities	3%, 5.32% and 5.57%	108	3,511	8,642	54,681	**66,942**
		18,307	**39,446**	**42,951**	**54,681**	**155,385**

The following table details the Company's remaining contractual maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted cash flows of financial assets based on the earliest date on which the Company can require payment.

	Weighted average effective interest rate	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
2015							
Non-interest bearing assets		43,855	26,008	25,805	43,068	3,627	**142,363**
Interest bearing assets	5.05%	-	20,015	55,508	26,538	4,450	**106,511**
		43,855	**46,023**	**81,313**	**69,606**	**8,077**	**248,874**
2014							
Non-interest bearing assets		24,919	42,330	69,037	5,660	2,121	**144,067**
Interest bearing assets	2.5%	-	22,663	29,217	5,111	-	**56,991**
		24,919	**64,993**	**98,254**	**10,771**	**2,121**	**201,058**

(All amounts are expressed in thousands of kunas)

36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The carrying amounts of the Company's foreign-currency denominated monetary assets and liabilities at the reporting date are provided in the table below:

	Liabilities		Assets	
	2015	2014	2015	2014
EUR	18,662	-	18,290	-

Foreign currency sensitivity analysis

The Company is mainly exposed to the fluctuations in the exchange rate of the Croatian kuna against the euro (EUR) because this is the currency in which the majority of sales and purchases on international markets are carried out. Furthermore, significant amount of liabilities for loans relates to loans denominated in EUR.

The following table details the Company's sensitivity to a 10-percent increase and decrease of the Croatian kuna against the relevant currencies. 10-percent is the sensitivity rate used when reporting foreign currency risk internally to the Management Board and represents the Management Board's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for the 10-percent change in the relevant foreign exchange rate. The sensitivity analysis includes external borrowings, as well as loans to foreign operations of the Company denominated in a currency that is not the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the Croatian kuna strengthens 10 percent against the relevant currency. For a 10-percent weakening of the Croatian kuna against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Currency influence EUR	
	2015	2014
Profit or (loss)	409	-

Exposure to the currency exchange for 10 % mainly relates to received loans, trade payables and trade receivables denominated in EUR.

36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;

At 31 December 2015 and 31 December 2014, the carrying amounts of cash, short-term deposits, receivables and short-term liabilities, accrued expenses and other financial instruments approximate their fair values due to the short-term maturity of these financial instruments.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, Company into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1- fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2- fair value measurements are indications of fair value derived from data other than quoted prices from Level 1 for observable assets or liabilities (i.e. their prices) or indirectly (derived from the price)

Level 3- fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

(All amounts are expressed in thousands of kunas)

36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value measurements recognised in the statement of financial position (continued)

31 December 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment in shares	-	-	506	506
Total	**-**	**-**	**506**	**506**

31 December 2014				
Investment in shares	-	-	506	506
Total	**-**	**-**	**506**	**506**

37. CONTINGENT LIABILITIES AND COMMITMENTS

Guarantees and sureties

	2015	**2014**
Liabilities for guarantees	91,561	3,909
Loan guarantees	48,269	47,161
	139,830	**51,070**

The Company is a beneficiary of guarantees defined in the signed contracts. The majority of the guarantees comprise advance payment guarantees and good performance guarantees. During the periods observed, no funds were drawn under those guarantees by the bank.

Loan guarantees comprise guarantees issued by the Company to banks for the loans received by the subsidiaries.

38. EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date there were no significant events concerning the Company that would require adjustments to, or disclosure in the unconsolidated financial statements.

39. MANAGEMENT AUTHORISATION OF THE ISSUE OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

These unconsolidated financial statements were adopted by the Management Board and authorized for issue on 29 April 2016.

Signed on behalf of the Company on 29 April 2016 by:

Tomislav Mazal

President of the Management Board

»ĐURO ĐAKOVIĆ
HOLDING d.d.
SLAV. BROD, Dr. M. Budaka
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Đuro Đaković Holding d.d. and its subsidiaries

Consolidated financial statements

For the year ended 31 December 2015

Together with Independent Auditor's Report

Contents

Responsibility for the consolidated financial statements

Pursuant to the Accounting Act of the Republic of Croatia, the Management of the Group's Parent is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ("the IFRSs"), as adopted by the European Union, which give a true and fair view of the financial position and results of operations of Đuro Đaković Holding d.d. and its subsidiaries ("the Group") for that period.

The Management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management continues to adopt the going concern basis in preparing the consolidated financial statements.

In preparing those consolidated financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- the applicable accounting standards are followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- the consolidated financial statements are prepared on the going concern basis, unless it is inappropriate to assume that the Group will continue as a going concern.

The Management is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Group and must also ensure that the consolidated financial statements comply with the Accounting Act. The Management is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed for and on behalf of the Management by:

Tomislav Mazal

President of the Management Board

»ĐURO ĐAKOVIĆ«
HOLDING d.d.
SLAV. BROD, Dr. M. Budaka 1
2

29 April 2016

Deloitte.

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Independent Auditor's Report

To the Owners of Đuro Đaković Holding d.d.

We have audited the accompanying consolidated financial statements of Đuro Đaković Holding d.d. ("the Company") and its subsidiaries (jointly referred to as "the Group"), which comprise the consolidated statements of financial position at 31 December 2015 and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group at 31 December 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Branislav Vrtačnik,
President of the Management Board

Ivana Turjak Čebohin,
Certified Auditor

Deloitte d.o.o.
Zagreb, 29 April 2016

Consolidated statement of comprehensive Income

For the year ended 31 December 2015

(All amounts are expressed in thousands of kunas)

	Notes	2015	2014
Sales	4	377,143	371,193
Other income	5	17,873	10,794
		395,016	**381,987**
Change in the value of work in progress and finished products		(3,207)	1,586
Material costs	7	(279,711)	(247,823)
Staff costs	8	(99,149)	(117,191)
Depreciation and amortisation	15, 16	(19,905)	(17,983)
Other expenses	9	(34,447)	(66,975)
Value adjustment	10	(725)	(12,009)
Other operating expenses	11	(7,778)	(5,182)
		(444,922)	**(465,577)**
Loss from operations		**(49,906)**	**(83,590)**
Financial income	12	2,672	1,217
Financial expenses	13	(16,630)	(13,775)
Net financial loss		**(13,958)**	**(12,558)**
Loss before taxation		**(63,864)**	**(96,148)**
Income tax expense	14	-	-
Loss for the year		**(63,864)**	**(96,148)**
Other comprehensive income		-	-
Total comprehensive loss		**(63,864)**	**(96,148)**
Loss attributable to:			
- Equity holders of the parent		(62,534)	(95,180)
- Non-controlling interests	27	(1,330)	(968)
Total comprehensive loss attributable to:			
- Equity holders of the parent		(62,534)	(95,180)
- Non-controlling interests		(1,330)	(968)
Earnings per share			
- basic and diluted (in kunas and lipas)	27	(8,23)	(12,51)

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

Consolidated statement of financial position

At 31 December 2015

(All amounts are expressed in thousands of kunas)

	Notes	At 31 December 2015	At 31 December 2014
ASSETS			
Non-current assets			
Intangible assets	15	25,426	25,545
Property, plant and equipment	16	223,371	195,582
Investments in real estate	16	16,922	11,768
Given loans, deposits and similar		535	503
Investments in securities and equities	18	883	2,188
Other non-current financial assets		38	40
Receivables	19	9,066	10,283
Total non-current assets		**276,241**	**245,909**
Current assets			
Inventories	20	96,017	121,171
Trade receivables	21	72,220	67,082
Other receivables	22	8,389	20,782
Other financial assets	23	885	20,342
Cash and cash equivalents	24	37,434	33,185
Prepaid expenses and accrued income	25	18,480	7,450
Total current assets		**233,425**	**270,012**
TOTAL ASSETS		**509,666**	**515,921**

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

Consolidated statement of financial position (continued)

At 31 December 2015

(All amounts are expressed in thousands of kunas)

	Notes	At 31 December 2015	At 31 December 2014
EQUITY AND LIABILITIES			
Share capital	26	151,934	151,934
Capital reserves		15,687	15,687
Reserves for own shares		940	940
Own shares		(940)	(940)
Accumulated losses		(162,914)	(95,049)
Attributable to the equity holders of the parent		**4,707**	**72,572**
Non-controlling interests		(4,211)	(8,212)
Total equity		**496**	**64,360**
Provisions	28	**15,550**	**16,381**
Non-current liabilities			
Borrowings	29	210,264	135,480
Financial lease obligations	29	47	326
Other non-current liabilities	30	11,926	13,732
Total non-current liabilities		**222,237**	**149,538**
Current liabilities			
Borrowings and finance lease obligations	29	92,074	89,007
Trade payables	31	111,294	143,386
Other current liabilities	32	63,383	38,404
Accrued expenses and deferred income	33	4,632	14,845
Total current liabilities		**271,383**	**285,642**
TOTAL EQUITY AND LIABILITIES		**509,666**	**515,921**

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in shareholders' equity

For the year ended 31 December 2015

(All amounts are expressed in thousands of kunas)

	Share capital	Capital reserves	Reserves for treasury shares	Treasury shares	Accumulated losses	Total parent	Non-controlling interest	Total
Balance at 31 December 2013	**258,965**	**6.923**	**3,760**	**(3,760)**	**(185,328)**	**80,560**	**(7,244)**	**73,316**
Decrease in share capital	(194,224)	5,334	-	-	188,890	-	-	-
Increase in share capital	87,192	-	-	-	-	87,192	-	87,192
Change in capital reserves	-	3,430	-	-	(3,430)	-	-	-
Change in reserve for treasury shares	-	-	(2,820)	2,820	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	(95,180)	(95,185)	(968)	(96,148)
Balance at 31 December 2014	**151,934**	**15,687**	**940**	**(940)**	**(95,049)**	**(72,572)**	**(8,212)**	**64,360**
Transactions acquired with additional investment	-	-	-	-	-	(5,331)	5,331	-
Total comprehensive loss for the year	-	-	-	-	(63,864)	(62,534)	(1,330)	(63,864)
Balance at 31 December 2015	**151,934**	**15,687**	**940**	**(940)**	**(162,914)**	**4,707**	**(4,211)**	**496**

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2015

(All amounts are expressed in thousands of kunas)

	2015	2014
Cash flows from operating activities		
Loss for the year	**(63,864)**	**(96,148)**
Adjusted for:		
Depreciation and amortisation	19,905	17,983
Interest expense	13,755	13,023
Foreign exchange differences, net	(250)	(1,880)
Interest income	(503)	(520)
(Decrease) in provisions	(831)	(1,564)
Impairment allowance on trade receivables	(504)	2,725
Reduction in share value	-	1,256
Net value of written-off non-current intangible and tangible assets	5,446	446
Operating cash flows before changes in working capital	**(26,846)**	**(70,129)**
Decrease in inventories	21,585	674
Decrease in long-term receivables	1,217	1,376
(Increase)/decrease in trade receivables	(4,634)	35,811
(Increase)/decrease in other receivables from customers	(102)	32,921
Decrease/(increase) in advances paid	12,998	(17,620)
(Decrease) in trade payables	(32,092)	(66,488)
(Decrease) in other liabilities	(15,491)	(53,465)
(Decrease) in prepaid expenses and accrued income	(11,030)	(2,999)
(Increase) in accrued expenses and deferred income	(10,213)	(6,733)
Increase in advances received	24,369	4,083
Cash (used in) operating activities	**(40,239)**	**(154,792)**

(All amounts are expressed in thousands of kunas)

	2015	2014
Investment activities		
Purchases of property, plant and equipment and intangible assets	(54,066)	(62,398)
Decrease/(increase) in term deposits	19,427	(19,178)
Change in available-for-sale securities	1,305	(567)
Net cash (used in) from investing activities	**(33,334)**	**(82,143)**
Financing activities		
Cash receives from increase in share capital	-	87,192
Received borrowings	211,001	114,575
Repayments of borrowings	(133,179)	(75,013)
Net cash generated from financing activities	**77,822**	**126,754**
Net increase / (decrease) in cash and cash equivalents	**4,249**	**(110,181)**
Cash and cash equivalents at the beginning of the year	33,185	143,366
Cash and cash equivalents at the end of year	37,434	33,185

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

1.1 Introduction

The Đuro Đaković Group comprises the following entities: Đuro Đaković Holding d.d., Mile Budaka 1, Slavonski Brod – the Parent of the Group and its subsidiaries:

- Đuro Đaković Specijalna vozila d.d.
- Đuro Đaković Industrijska rješenja d.d.
- Đuro Đaković Energetika i infrastruktura d.o.o.
- Đuro Đaković Strojna obrada d.o.o.
- Slobodna zona Đuro Đaković d.o.o.

Until 26 August 2015 Đuro Đaković Group was also comprised of following companies:

- Đuro Đaković Elektromont d.d.
- Đuro Đaković Proizvodnja opreme d.o.o. and
- Đuro Đaković Inženjering d.d.

On 27 August 2015 Commercial Court in Osijek, Permanent service in Slavonski Brod made a conclusion to enter into the court registry status change of affiliating Đuro Đaković Elektromont d.d. and Đuro Đaković Proizvodnja opreme d.o.o., as affiliated companies, to Đuro Đaković Inženjering d.d. as transferee company, and a conclusion to enter into the court registry change in company's name from Đuro Đaković Inženjering d.d. to Đuro Đaković Industrijska rješenja d.d.

By the entry of stated changes into the court registry, on 27 August 2015 all legal changes were put into effect and until then the three companies Đuro Đaković Elektromont d.d., Đuro Đaković Proizvodnja opreme d.o.o. and Đuro Đaković Inženjering d.d. continue to operate under the one companie – Đuro Đaković Industrijska rješenja d.d.

1.2 Principal business

The principal activities of the Group comprise manufacture, design and assembly of industrial and petrochemical plants, manufacture of building machinery, railway vehicles, special vehicles and devices, and energy supply, goods storage and transport services.

(All amounts are expressed in thousands of kunas)

1. GENERAL INFORMATION (CONTINUED)

1.3 Management Board

The members of the Company's Management Board in 2014 and 2015 are as follows:

Tomislav Mazal	President of the Management Board
Marko Bogdanović	Member of the Management Board

1.4 Supervisory Board

On 26 November 2014 member of Supervisory Board Mr Zoran Posinovec resigned from the membership in Supervisory Board. Considering that by the time of convocation of General Board new member of Supervisory Board has not been elected, on the day 29 June 2015 Supervisory Board of Đuro Đaković Holding d.d. was made of following members:

- Vjekoslav Leko	President of the Supervisory Board, on 19 June 2013 named by the AUDIO for the member of SB, 10 July 2013 named President of SB until 9 July 2017
- Domagoj Bartek	Vice President, 26 April 2012 until 29 June 2015
- Mladen Huber	member, 26 April 2012 until 29 June 2015
- Igor Žonja	member, 27 June 2011 until 29 June 2015
- Vjekoslav Galzina	member, 26 April 2012 until 29 June 2015
- Blaženka Luketić	member, 27 June 2011 until 27 May 2015

At General Board meeting on 29 June 2015 new members of Supervisory Board were elected, which resulted in Supervisory Board comprised of following members:

- Vjekoslav Leko	President of the Supervisory Board, 10 July 2013 until 9 July 2017
- Domagoj Bartek	member, 29 June 2015 until 29 June 2019
- Vjekoslav Galzina	member, 29 June 2015 until 29 June 2019
- Igor Žonja	member, 29 June 2015 until 29 June 2019
- Miroslav Karamarković	member, 29 June 2015 until 29 June 2019
- Milan Stanić	member, 29 June 2015 until 29 June 2019
- Blaženka Luketić	member, 27 May 2015 until recall

2. ADOPTION OF NEW AND REVISED INERNATIONAL FINANCIAL REPORTING STANDARDS

Initial application of new amendments to the existing Standards and Interpretation effective for current financial period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for current financial period:

- **Amendments to various standards "Improvements to IFRSs from the 2011–2013 Cycle"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (applicable to annual periods beginning on or after 1 January 2015),
- **IFRIC 21 "Levies"**, adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The adoption of these amendments to the existing standards and interpretations did not cause changes in accounting policies of the Company.

Standards and interpretations issued by IASB and adopted by the European Union, but not yet effective

At the date of authorization of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- **Amendments to IFRS 11 "Joint Arrangements"–** Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** – Clarification of Acceptable Methods of Depreciation and Amortization - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

Standards and interpretations issued by IASB and adopted by the European Union, but not yet effective (continued)

- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** – Agriculture: Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 19 "Employee Benefits"** – Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015)
- **Amendments to IAS 27 "Presentation of Financial Statements"** – Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards "Improvements to IFRSs from the 2010-2012 Cycle"**, resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (applicable to annual periods beginning on or after 1 February 2015)
- **Amendments to various standards "Improvements to IFRSs from the 2012-2014 Cycle"**, resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IFRS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (applicable to annual periods beginning on or after 1 January 2016),

2. ADOPTION OF NEW AND REVISED INERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

New Standards and amendments to the existing Standards issued by IASB, but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board ('IASB') except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at the 29 March 2016 (the effective dates stated below is for IFRS in full):

- **IFRS 9 "Financial instruments"** (effective for annual periods beginning on or after 1 January 2018)
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016), – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 15 "Revenue from Contracts with Customers"** and further amendments (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded).

The Group anticipates that the adoption of these new standards and amendments to existing standards will not materially affect its financial statements in the period of initial application. At the same time remains unregulated issue of hedge accounting of financial assets and financial liabilities whose principles in the European Union have not yet been adopted.

According to estimates by the Group, the application of hedge accounting to financial assets and financial liabilities in **IAS 39 " Financial Instruments: Recognition and Measurement "** the reporting date would not have a significant impact on the financial statements.

The Group decided to not adopt these standards, revisions and interpretations before their effective dates. The Group anticipates that the acquisition will have no material impact on its financial statements in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards.

3.2. Basis of preparation

The consolidated financial statements of the Group have been prepared on the historical cost basis except for certain financial instruments which are stated at fair value, in accordance with International Financial Reporting Standards as adopted by the European Union and Croatian laws.

The Group maintains its accounting records in the Croatian language, in Croatian Kuna and in accordance with Croatian laws and the accounting principles and practices observed by enterprises in Croatia. The accounting records of the Company's subsidiaries in Croatia and abroad are maintained in accordance with the requirements of the respective local jurisdictions.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards (IFRSs) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.28.

3.3. Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of Đuro Đaković Holding d.d. ("the Company") and entities controlled by the Company (its subsidiaries) made up at 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of the disposal. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for products, goods or services sold in the regular course of the Group's operations. Revenues are stated net of value added tax, estimated returns, discounts and rebates.

The Group recognizes revenue when the amount of the revenue can be measured reliably, when future economic benefits will flow into the Group and when the specific criteria for all the Group's activities described below are met.

a) Service sales

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

b) Construction contract revenue

When it is possible to reliably estimate the outcome of construction contracts, revenues and expenses are recognized according to the degree of physical completion of contracted work to date. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. If it is probable that total contract costs will exceed total contract revenue, the expected loss is immediately recognized as an expense in the period in which they occur.

c) Product and service sales

Product and service sales are recognised when all significant risks and rewards of ownership of the product or goods are passed onto the customer and when the revenue can be measured reliably.

d) Interest income

Interest income is recognised on a time basis, using the effective interest method.

e) Income from government grants

Income from government grants is recognised at the fair value when there is reasonable assurance that the grants will be received and that the Group will comply with the conditions attaching to them. Government grants are recognised in profit or loss over the periods in which the Group recognises as expenses the related costs which the grants are intended to compensate and are presented within Other operating income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5. Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs of construction contracts are recognized according to the stage of completion of contracted activities at the end of the reporting period, as measured by the proportion of contract costs incurred based on tasks performed by that date in relation to the estimated total contract costs unless such a display would not objectively reflect the stage of completion. Deviations from contract work, claims and incentive payments are included in income if their related amount can be reliably determined and if their receipt is considered probable. If the outcome of a construction contract can not be estimated reliably, revenue per contract are recognized to the extent of contract costs incurred that are likely to be recovered. Contract costs are recognized as an expense in the period in which they occur. If it is probable that total contract costs will exceed the total income under the contract, the expected loss is recognized immediately as an expense.

If up to the reporting date of contract costs incurred, increased by recognized gains and less recognized losses exceed progress invoiced amount, the excess is recorded as a receivable from customers on the basis of the contract works. The provision by which gradually invoiced amounts higher than the agreed costs to the reporting date plus recognized profits and net of recognized losses, the surplus is recorded as a liability to the purchaser on the basis of the contract works. Amounts received before the works were carried out on that is related in the consolidated statement of financial position are presented as a liability on the basis of advances received. Amounts invoiced for work performed by the customer has not paid for in the consolidated statement of financial position are presented as part of trade and other receivables.

3.6. Leases

The Group leases certain property, plant and equipment. Leases of property, plant and equipment under which the Group bears all the risks and rewards of ownership are classified as finance leases. Financial leases are capitalised at the inception of the lease by reference to the lower of the fair value of the underlying asset or the present value of the minimum lease payment. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the finance costs is charged to the statement of comprehensive income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Leases under which the Group does not bear all the significant risks and rewards of ownership are classified as operating leases. Payments under operating leases are recognised in the statement of comprehensive income over the term of the underlying lease.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are included in profit or loss in the period in which they are incurred.

3.8. Borrowings

Borrowings are recognised initially at fair value, less transaction costs. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(All amounts are expressed in thousands of kunas)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9. Foreign currency transactions

Functional and reporting currency

Items included in the Group's consolidated financial statements are presented in the currency of the primary economic environment in which the Group operates (its functional currency). The consolidated financial statements are presented in Croatian kuna, which is both the functional and reporting currency of the Parent.

Foreign-currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

The effective exchange rates of the Croatian were as follows:

	31/12/2015	**31/12/2014**
HRK / EUR	7.635047	7.661471
HRK/USD	6.991801	6.302107

3.10. Government grants

Government grants are not recognised until there is reasonable assurance that the conditions attaching to them will be complied with. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Operating segment reporting

The Group identifies operating segments on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. Details of individual operating segments are disclosed in Note 6 to the consolidated financial statements.

3.12. Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from the net profit reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or a part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12. Income tax (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by date of the statement of financial position. The measurement of deferred tax liabilities and assets reflects the amount that the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority, and the Group intends to settle its current tax assets and liabilities.

Current and deferred taxes for the period

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity, or where it arises from the initial accounting of a business combination.

In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost.

Value-added tax (VAT)

The Tax Authorities require that VAT is settled on a net basis. VAT on sale and purchase transactions is recognised in the balance sheet on a net basis. If a trade debtor is impaired, the related impairment loss is included in the gross amount of the debtor, which includes VAT.

(All amounts are expressed in thousands of kunas)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13. Property, plant and equipment

Property, plant and equipment are recognised at cost, less accumulated depreciation. The cost of comprises the purchase price of an asset, including import duties and non-refundable sales taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Maintenance and repairs are expensed as incurred. Where it is obvious that expenses incurred resulted in increase of expected future economic benefits to be derived from the use of an item of property, plant and equipment beyond the originally assessed standard performance of the asset, they are added to the carrying amount of the asset. Gains or losses on the retirement or disposal of fixed assets are recognised in profit or loss for the period in which they arise. Depreciation commences on putting an asset into use. Depreciation is provided so as to write down the cost or revalued amount of an asset, other than land and assets under development, over the estimated useful life of the asset using the straight-line method as follows:

Type of assets	Useful life	Annual amortisation rate in %
Buildings	20 - 40 years	2.5% - 5%
Plant and equipment	4 - 10 years	10% - 25%
Tools, plant fittings and fixtures, and vehicles	4 - 5 years	20% - 25%
Intangible assets	4 - 5 years	20% - 25%

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its useful life. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

If the carrying amount of an asset exceeds its estimated recoverable amount, it is written down immediately to its recoverable amount.

(All amounts are expressed in thousands of kunas)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14. Intangible assets

Computer software

Software licences are capitalised based on the cost of purchase and bringing software into a working condition for its intended use. The cost is amortised over the useful life of an asset. As of 31 December 2015 Management Bord of Đuro Đaković Industrijska rješenja d.d. has made decision to change amortisation rate for intangible assets in order to even amortisation rate within all entity´s in the Group. Effect of change is HRK 7 thousand.

Asset	ID	Cost value	Year of aqusition	Amortisation rate uptill 31.08.2015.	Yearly amortisation 25% from 01.09-31.12.2015	Amortisation rate uptill od 01.09.-31.12.2015.	Yearly amortization value	Effect
Software modules Softva	602037	2		25%	-	20%	-	-
Software	602048	247	03.2015	25%	21	20%	16	4
Microsoft windows 7 proffes	602049	194	03.2015	25%	16	20%	13	3

Internally generated intangible assets – development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14. Intangible assets

Internally generated intangible assets – development expenditure (continued)

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3.15. Impairment of property, plant and equipment, and of intangible assets

At each reporting date the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is an indication that the assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or a cash-generated unit) is estimated to be less that its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16. Investment property

Investment property is property (land and buildings) the Company holds for the purpose of generating rentals and capital appreciation. Investment property is measured initially at cost. They are measures subsequently at cost less accumulated depreciation and accumulated impairment losses.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use as well as when no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3.17. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overhead costs that have been incurred in bringing inventories to their present location and condition.

Where the carrying amount of inventories is to be written down to their net realisable value, an allowance is recognised and charged to expenses for the year.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Small inventory includes tools, plant and office furniture and fittings and similar items that are expected to be used for a period of up to one year, as well as assets not considered fixed assets. The cost of small inventories and tyres as well as spare parts is expensed immediately. Merchandise comprises purchased goods on stock for further sale and is carried at the selling prices net of value-added tax and margins. Inventories of work in progress and finished products are carried at the lower of cost and net realisable value, while taking into account potential fluctuations of the cost of production during the year. On sale, the carrying amounts of inventories are recognised as expenses in the period in which the related revenue is recognised. In addition, any write downs of inventories to the net realisable value and any shortfalls are recognised as expenses in the period of the write-down i.e. in which the shortfall is identified. Write-downs reversed as a result of increased net realisable value are recognised as a reduction of the inventories recognised as an expense in the period of the reversal.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18. Trade receivables and prepayments

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, if significant, using the effective interest method. Otherwise, they are measured at nominal amounts, less an allowance for impairment. Impairment is made whenever there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, the probability of bankruptcy proceedings at the debtor, or default or delinquency in payment are considered objective evidence of impairment. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment allowance on trade receivables is captured in the consolidated statement of comprehensive income under value adjustments.

3.19. Cash and cash equivalents

Cash comprises account balances with banks, cash in hand, deposits and securities at call or with maturities of less than three months.

3.20. Share capital

Share capital consists of ordinary shares. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of the consideration received over the par value of the shares issued is presented in the notes as a share premium.

The consideration paid for purchases of own shares, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

3.21. Employee benefits

(a) Obligations in respect of retirement and other post-employment benefits

In the normal course of business the Company makes payments, through salary deductions, to mandatory pension funds on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recognised as salary expense when incurred. The Group does not operate any other retirement benefit plan and, consequently, has no other obligations in respect of the retirement benefits for its employees. In addition, the Group is not obliged to provide any other post-employment benefits.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21. Employee benefits (continued)

(b) Regular retirement benefits

Benefits falling due more than 12 months after the reporting date are discounted to their present value.

(c) Long-term employee benefits

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actual gains and losses are recognised in the period in which they arise.

Past service cost is recognised immediately to the extent that the benefits are already vested. Otherwise, it is amortised on a straight-line basis over certain period until the benefits become vested

3.22. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the current best estimate. Where the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. Where discounting is used, the reversal of such discounting in each year is recognised as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the date of the statement of financial position, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22. Provisions (continued)

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3.23. Contingent liabilities

Contingent liabilities have not been recognised in these financial statements. They are disclosed unless the possibility of outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but it is disclosed when the inflow of economic benefits becomes probable.

3.24. Events after the reporting period

Events after the end of the reporting period that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3.25. Financial assets

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through statement of comprehensive income, which are initially measured at fair value.

Financial assets are classified into as 'financial assets at fair value through profit or loss' (FVTPL), 'investments held to maturity' (HTM), 'available-for-sale financial assets' (AFS) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25. Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated at FVTPL.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost determined using the effective interest method, less any impairment losses.

Financial assets available for sale

Available-for-sale (AFS) financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Unlisted shares and listed redeemable notes held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. Fair value is determined as described in Note 37, and gains and losses arising from changes in fair value are recognised directly in equity in the revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the consolidated statement of comprehensive income. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the revaluation reserve is included in the consolidated statement of comprehensive income for the period.

Dividends on AFS equity instruments are recognised in the consolidated statement of comprehensive income when the Company's right to receive the dividends is established.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25. Financial assets (continued)

Financial assets available for sale (continued)

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in the consolidated statement of comprehensive income, and other changes are recognised in equity.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade, loan and other receivables with fixed or determinable payments are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those carried at fair value through profit or loss, are assessed for indications of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For an equity instrument classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25. Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 360 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss for the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25. Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3.26. Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.26. Financial liabilities and equity instruments issued by the Group (continued)

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

3.27. Comparatives

Where necessary, comparative information has been reclassified to conform to the current year's presentation. In 2015 there was no significant material reclassification.

3.28. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described above, the Management Board is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.28. Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of property, plant and equipment, and of intangible assets
As described in the Notes 3.13 and 3.14, the Group reviews the estimated useful lives of its property, plant and equipment and intangible assets at the end of each annual reporting period. Property, plant and equipment as well as intangible assets are recognised initially at cost, less accumulated depreciation/amortisation.

Impairment allowance on trade receivables
Management provides for doubtful receivables based on a review of the overall ageing of all receivables and a specific review of significant individual amounts receivable. The allowance for amounts doubtful of collection is charged to the statement of comprehensive income for the year.

Revenue recognition
In making their judgement, the directors considered the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18 *Revenue* and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed quantification of the Company's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, the directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with the recognition of an appropriate provision for the rectification costs. In addition, when recognizing revenue under construction contracts in accordance with IAS 11, the directors are satisfied that the stages of completion of the projects to be recognized in accordance with IAS 11 have been reasonably estimated.

Consequences of certain legal actions
The Parent and its subsidiaries are involved in legal actions and proceedings, which have arisen from the regular course of their operations. The management makes estimates when the probable outcome of a legal action has been assessed, and the provisions are recognised on a consistent basis (see Note 36).

Actuarial estimates used in determining the retirement benefits

The cost of defined benefits is determined using actuarial estimates. Actuarial estimates involve assumptions about discount rates, future salary increases and the mortality or fluctuation rates. Because of the long-term nature of those plans, there is uncertainty surrounding those estimates.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(All amounts are expressed in thousands of kunas)

4. SALES

	2015	2014
Domestic sales	256,392	264,178
Foreign sales	120,751	107,015
	377,143	**371,193**

5. OTHER INCOME

	2015	2014
Income from reversal of provisions	7,661	3,099
Income from non-current assets sale	3,635	501
Income from trade goods sale	1,369	405
Rental income	1,229	1,476
Income from consultant services	1,019	-
Income from billed, written-off receivables	543	786
Income from raw material sale	332	387
Income from own goods and services	289	147
Written-off liabilities credited to income	276	408
Income from damages and penalties collected	240	1,057
Income from supports	210	210
Other operating income	1,070	2,318
	17,873	**10,794**

6. SEGMENT INFORMATION

Operating segments have been identified on the basis of business divisions. Three business divisions were identified in 2013:

- Industry and Energy
- Defence
- Transport

The business divisions are the basis for internal financial reporting. The internal reports are regularly reviewed by the Management Board in order to assess the performance of the divisions and to make business decisions.

Since the chief decision maker does not use the information about the expenses, assets and liabilities of individual segments in making business and resource allocation decisions, the Group does not present the segment expenses, assets and liabilities in its consolidated financial statements.

Information about other business activities and operating segments not reported on internally is disclosed under "All other segments" separately from the reconciliation items. All other segments comprise energy generation, distribution and supply for entities operating in the industrial zone and to a lesser extent outside the zone, as well as the rental of space in the zone with customs, tax and other reliefs.

The business division Industry and Energy comprises the construction of large facilities.

Defence comprises the manufacture of military equipment.

Transport comprises the manufacture of railway wagons.

(All amounts are expressed in thousands of kunas)

6. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

Set out below is a breakdown of the revenue of the Group by its reporting segments presented in accordance with IFRS 8. Segment revenue reported below represents revenue generated from sales and other operating revenues.

	Revenue by segment	
	2015	**2014**
Industry and Energy	226,218	135,499
Transport	91,714	70,858
Defence	38,976	41,553
All other segments	38,108	134,077
	395,016	**381,987**

Geographical information

The Group operates in two main geographical areas serving as the basis for sales reporting.

	Revenue from external customers	
	2015	**2014**
Croatian market	256,392	264,178
EU market	120,751	107,015
	377,143	**371,193**

Information about key customers

	Revenue by key customers	
	2015	**2014**
ERMEWA	87,550	-
Hrvatska Elektroprivreda d.d.	69,242	-
Croatian Ministry of Defence	48,344	32,915
INA - Industrija nafte d.d.	31,134	-
HEP Proizvodnja d.o.o.	4,919	-
Atir-Rail	-	47,822
	241,189	**80,737**

In 2015 Group started on new projects which include working with new set of subcontractors, while projects (subcontractors) that were current in 2014 were brought to their end phase which brought to significant change in structure of said subcontractors.

(All amounts are expressed in thousands of kunas)

7. MATERIAL EXPENSES

	2015	2014
Subcontractor service costs	136,940	92,753
Raw material and supplies	114,923	120,493
Intellectual services	4,300	5,490
Maintenance and repairs	3,369	4,154
Rental costs	2,722	3,190
Transport	2,331	3,594
Agencies costs	802	-
Advertising and sponsorships	484	587
Cost of goods sold	-	5,629
Other external costs	13,840	11,933
	279,711	**247,823**

The increase in costs is resulting from projects contracted for 2015 whose revenues are also higher in compare to the project in 2014.

8. STAFF EXPENSES

	2015	2014
Net wages and salaries	64,055	77,609
Taxes and contributions out of salaries	21,547	24,077
Contributions on salaries	13,547	15,505
	99,149	**117,191**

At 31 December 2015, there were 872 employees at the Group (31 December 2014: 1,099 employees).

(All amounts are expressed in thousands of kunas)

9. OTHER EXPENSES

	2015	2014
Retirement and long-service benefits	8,293	9,783
Expenses for employees material rights	5,540	7,135
Provisions for penalties under construction contracts	4,262	20,279
Daily allowances, accommodation, transport and field-work allowances	4,160	6,869
Bank charges	2,968	3,033
Insurance	2,952	3,285
Risk and guarantee period provisions	1,992	1,579
Membership fees, taxes and contributions	1,471	1,223
Entertainment	533	734
Other expenses*	2,276	13,055
	34,447	**66,975**

Provisions for penalties under construction contracts in 2015 refer to provisions for projects INA d.d. (spherical tanks) (HRK 397 thousand, closing of provision due to project completion), HEP Proizvodnja d.o.o. TE-TO Zagreb (HRK 2,214 thousand) and INA d.d. Sisak (Blowdown) (HRK 1,651 thousand), and in 2014 it refer to provisions for projects HEP Proizvodnja d.o.o. TE-TO Zagreb (HRK 7,923 thousand), INA d.d. Sisak (Blowdown) (HRK 7,290 thousand), INA d.d. Vučkovec (HRK 2,823 thousand), INA d.d. Zagreb (spherical tanks) (HRK 1,646 thousand), HŽ Infrastruktura d.o.o. Buzin (HRK 405 thousand) and HŽ Infrastruktura d.o.o. Vrbovsko (HRK 192 thousand).

*Other expenses in 2015:

	2015	2014
Utilities	543	553
Software maintenance	373	279
Management fees	309	494
Graphical services and translation costs	280	298
Supervisory board	287	310
Seminar costs, training (education) costs	229	311
Registration fees	68	29
Other costs (in 2014 include training costs and cost of literature for BOV)	187	10,781
	2,276	**13,055**

(All amounts are expressed in thousands of kunas)

10. IMPAIRMENT ALLOWANCE

	2015	2014
Impairment of inventories of work in progress	371	6,929
Impairment of inventories of trade goods	315	-
Impairment allowance on trade receivables	39	4,383
Impairment of investments in the shares	-	697
	725	**12,009**

11. OTHER OPERATING EXPENSES

	2015	2014
Net book value of disposed / (sold) assets	4,569	-
Penalties and damages	1,255	2,522
Other operating expenses	1,954	2,660
	7,778	**5,182**

(All amounts are expressed in thousands of kunas)

12. FINANCIAL INCOME

	2015	2014
Foreign exchange gains	2,139	538
Interest income	503	520
Other financial income	30	159
	2,672	**1,217**

13. FINANCIAL EXPENSES

	2015	2014
Interest expense	13,755	13,023
Foreign exchange losses	2,863	522
Other financial expenses	12	230
	16,630	**13,775**

(All amounts are expressed in thousands of kunas)

14. INCOME TAX

The Group is not subject to corporate income tax, as opposed to its members.

Income tax expense comprises the following:

	2015	2014
Current tax	-	-
Deferred tax	-	-
Income tax recognised in the statement of comprehensive income	-	-

The reconciliation of the income tax expense for the year to the accounting profit is as follows:

	2015	2014
Loss before taxation	**(63,864)**	**(96,148)**
Income tax at the rate of 20% (2014: 20%)	(12,773)	(19,230)
Effect of tax non-deductible expenses and non-taxable income	1,181	37,253
Effect of used tax losses	-	-
Effect of unrecognised deferred tax assets on tax losses and tax temporary differences	(11,592)	(18,023)
Tax expense	-	-

Unused tax losses carried forward

	2015	2014
Unused tax losses carried forward	248,637	186,330
	248,637	**186,330**

In accordance with the tax legislation, the Tax Administration may, at any time, inspect the books and records of Đuro Đaković Holding d.d. ('the Company') and its subsidiaries (jointly referred to as: 'the Group') within three years from the end of the year in which the tax liability is reported and may impose additional tax liabilities and penalties. The Company's management is not aware of any circumstances that may give rise to a potential material liability in this respect.

(All amounts are expressed in thousands of kunas)

14. INCOME TAX (CONTINUED)

The unused tax losses carried forward expire as follows:

	2015	2014
2016 (tax losses from 2011)	3,523	3,523
2017 (tax losses from 2012)	16,806	18,009
2018 (tax losses from 2013)	79,821	74,681
2019 (tax losses from 2014)	86,312	90,117
2020 (tax losses from 2015)	62,175	-
	248,637	**186,330**

According to the Croatian tax regulations, tax losses available for carry forward of individual Group companies as of the end of 2015 amount to HRK 248,637 thousand (2014: HRK 186,330 thousand) and are eligible for utilisation not later than in 2020. No deferred tax assets have been recognised in the statement of the financial position in respect of the unused tax losses carried forward because the availability of sufficient taxable profit in the future that would allow those assets to be utilised is not certain.

(All amounts are expressed in thousands of kunas)

15. INTANGIBLE ASSETS

	Development	Software and licences	Total
Purchase value			
Balance at 31 December 2013	**14,386**	**34,780**	**49,166**
Additions	-	5,128	5,128
Disposals, retirements, shortage	-	-	-
Balance at 31 December 2014	**14,386**	**39,908**	**54,294**
Accumulated depreciation			
Balance at 31 December 2013	**-**	**24,589**	**24,589**
Charge for the year	-	4,160	4,160
Disposals, retirements, shortage	-	-	-
Balance at 31 December 2014	**-**	**28,749**	**28,749**
Net book value			
At 31 December 2014	**14,386**	**11,159**	**25,545**
At 31 December 2013	**14,386**	**10,191**	**24,577**

(All amounts are expressed in thousands of kunas)

15. INTANGIBLE ASSETS (CONTINUED)

	Development	Software and licences	Total
Purchase value			
Balance at 31 December 2014	**14,386**	**39,908**	**54,294**
Additions	16	3,698	3,714
Reclassification	-	348	348
Balance at 31 December 2015	**14,402**	**43,954**	**58,356**
Accumulated depreciation			
Balance at 31 December 2014	**-**	**28,749**	**28,749**
Charge for the year	-	3,886	3,886
Reclassification of software from tangible assets	-	295	295
Balance at 31 December 2015	**-**	**32,930**	**32,930**
Net book value			
At 31 December 2015	**14,402**	**11,024**	**25,426**
At 31 December 2014	**14,386**	**11,159**	**25,545**

On 31 December 2014 as a part of property, plant and equipment, purchase value of and accumulated depreciation of computer software was stated. Book value of mentioned computer software on the day 31 December 2014 was HRK 53 thousand. The company reclassified computer software on 31 December 2015 in appropriate note.

(All amounts are expressed in thousands of kunas)

16. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and equipment	Tools and plant fittings	Assets under development	Advances for tangible assets	Investment in real estate	Total
Purchase value								
Balance at 31 December 2013	**14,250**	**175,819**	**154,912**	**24,901**	**4,159**	**41**	**20,081**	**394,163**
Additions and transfers into use	-	4,180	1,519	641	50,678	253	-	57,271
Disposals, retirements, shortage	-	-	(8,369)	(1,788)	-	(4)	-	(10,161)
Balance at 31 December 2014	**14,250**	**179,999**	**148,062**	**23,754**	**54,837**	**290**	**20,081**	**441,273**
Accumulated depreciation								
Balance at 31 December 2013	-	**88,015**	**115,925**	**17,317**	**760**	-	**7,788**	**229,805**
Charge for the year	-	4,480	7,106	1,712	-	-	525	13,823
Disposals, retirements, shortage	-	10	(8,060)	(1,655)	-	-	-	(9,705)
Balance at 31 December 2014	-	**92,505**	**114,971**	**17,374**	**760**	-	**8,313**	**233,923**
Net book value								
At 31 December 2014	**14,250**	**87,494**	**33,091**	**6,380**	**54,077**	**290**	**11,768**	**207,350**
At 31 December 2013	**14,250**	**87,804**	**38,987**	**7,584**	**3,399**	**41**	**12,293**	**164,358**

(All amounts are expressed in thousands of kunas)

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land	Buildings	Plant and equipment	Tools and plant fittings	Assets under development	Advances for tangible assets	Investment in real estate	Total
Purchase value								
Balance at 31 December 2014	**14,250**	**179,999**	**148,062**	**23,754**	**54,837**	**290**	**20,081**	**441,273**
Additions and transfers into use	1,223	9,053	8,056	18,511	23,535	135	2,737	63,250
Disposals, retirements, shortage	-	(3,846)	(3,125)	(2,854)	-	-	(1,372)	(11,197)
Impairment allowance	-	-	-	-	(12,358)	-	-	(12,358)
Reclassification of intangible assets	-	-	-	(348)	-	-	-	(348)
Reclassification of trade goods	-	-	-	-	-	-	3,569	3,569
Balance at 31 December 2015	**15,473**	**185,206**	**152,993**	**39,063**	**66,014**	**425**	**25,015**	**484,189**
Accumulated depreciation								
Balance at 31 December 2014	-	**92,505**	**114,971**	**17,374**	**760**	-	**8,313**	**233,923**
Charge for the year	-	4,417	7,522	3,529	-	-	551	16,019
Disposals, retirements, shortage	-	(185)	(3,114)	(1,681)	-	-	(771)	(5,751)
Reclassification	-	-	-	(295)	-	-	-	(295)
Balance at 31 December 2015	-	**96,737**	**119,379**	**18,927**	**760**	-	**8,093**	**243,896**
Net book value								
At 31 December 2015	**15,473**	**88,469**	**33,614**	**20,136**	**65,254**	**425**	**16,922**	**240,293**
At 31 December 2014	**14,250**	**87,494**	**33,091**	**6,380**	**54,077**	**290**	**11,768**	**207,350**

Received bank loans in the amount HRK 149,655 thousand (2014: HRK 84,756 thousand) are secured by lien on Group's land and buildings. Amount HRK 111,427 thousand of total amount refers to HBOR loan for new investments. Net book value of property, plant and equipment given as collateral for received loans is HRK 220,153 thousand on 31 December 2015 (2014: HRK 81,395 thousand).

Reclassification of trade goods to investment in real estate refers to apartments in Savudrija which were, by the Management decision, taken from assets classified as inventory of trade goods in the amount HRK 3,569 reclassified on non-current assets that will be rented.

(All amounts are expressed in thousands of kunas)

17. SUBSIDIARIES

The subsidiaries of the Group at 31 December 2015 and 2014 were as follows:

Subsidiaries	Country	Ownership interest in % 2015	2014	Principal activity
Đuro Đaković Inženjering d.d.	Croatia	-	84.84	Development, supervision and construction services
Đuro Đaković Elektromont d.d.	Croatia	-	100.00	Provision of services in the construction activity, electric installation assembly, and production of metal sheet components
Đuro Đaković Specijalna vozila d.d.	Croatia	99.84	99.69	Production and maintenance of combat vehicles and defence equipment, and of freight railway wagons
Đuro Đaković Strojna obrada d.o.o.	Croatia	100.00	100.00	Railway programme, renewable sources of energy, power utillity and various services
Đuro Đaković Energetika I infrastruktura d.o.o.	Croatia	97.55	97.55	Production of energy and related services (electric energy, compressed air, natural gas)
Đuro Đaković Proizvodnja opreme d.o.o.	Croatia	-	100.00	Manufacture of components for cement industry, petrochemical and power utility industries
Đuro Đaković Slobodna zona d.o.o.	Croatia	69.62	69.62	Provision of services to business entities operating in free zones
Đuro Đaković Industrijska rješenja d.o.o.	Croatia	96,93	-	

On 27 August 2015 Commercial Court in Osijek, Permanent service in Slavonski Brod made a conclusion to enter into the court registry status change of affiliating Đuro Đaković Elektromont d.d. and Đuro Đaković Proizvodnja opreme d.o.o., as affiliated companies, to Đuro Đaković Inženjering d.d. as transferee company, and a conclusion to enter into the court registry change in company's name from Đuro Đaković Inženjering d.d. to Đuro Đaković Industrijska rješenja d.d.

By the entry of stated changes into the court registry, on 27 August 2015 all legal changes were put into effect and until then the three companies Đuro Đaković Elektromont d.d., Đuro Đaković Proizvodnja opreme d.o.o. and Đuro Đaković Inženjering d.d. continue to operate under the one companie – Đuro Đaković Industrijska rješenja d.d.

(All amounts are expressed in thousands of kunas)

18. INVESTMENTS IN SECURITIES AND EQUITIES

	31 December 2015	31 December 2014
Investments in shares	9,098	9,144
Investments in bonds	337	1,632
Shares in non-related companies	36	-
Impairment of shares	(8,588)	(8,588)
	883	**2,188**

19. NON-CURRENT RECEIVABLES

	31 December 2015	31 December 2014
Receivables in respect of credit sales	8,772	9,714
Other receivables	294	569
	9,066	**10,283**

Credit sales represent amounts receivable from employees for flats with tenancy rights sold on credit with maturities ranging from 20 to 35 years.

20. INVENTORIES

	31 December 2015	31 December 2014
Work in progress	46,600	70,854
Raw material and supplies	33,259	36,666
Finished products	11,700	898
Merchandise	1,817	5,386
Prepayments for inventories	2,641	7,367
	96,017	**121,171**

(All amounts are expressed in thousands of kunas)

21. TRADE RECEIVABLES

	31 December 2015	31 December 2014
Domestic trade receivables	104,044	83,533
Foreign trade receivables	17,657	31,994
Impairment allowance on trade receivables	(49,481)	(48,445)
	72,220	**67,082**

Maturity analysis of receivables not impaired:

	31 December 2015	31 December 2014
Not yet due	54,523	59,630
0-90 days	6,632	6,438
91-120 days	2,676	569
Over 120 days	8,389	445
	72,220	**67,082**

22. OTHER RECEIVABLES

	31 December 2015	31 December 2014
Given advances	4,622	17,620
Receivables from the State and other institutions	3,105	2,585
Due from employees	53	47
Other receivables	609	530
	8,389	**20,782**

Given advances on 31 December 2015 for the most part refer to advance to suppliers in the amount HRK 3,789 thousand, and advances for projects (HŽ Infrastruktura d.o.o., Buzin and Vrbovsko, HEP Proizvodnja d.o.o. TE-TO, INA d.d. Blowdown), and on 31 December 2014 they referred to advance to suppliers for long term assets in the amount HRK 16,729 thousand, and advances for projects (HŽ Infrastruktura d.o.o., Buzin and Vrbovsko, HEP Proizvodnja d.o.o. TE-TO, INA d.d. Blowdown, JANAF d.d. Omišalj and Žitnjak). Decrease in advances in 2015 is caused by completion of projects and closing of given advances.

(All amounts are expressed in thousands of kunas)

23. OTHER FINANCIAL ASSETS

	31 December 2015	31 December 2014
Given loans, deposits and similar	885	20,212
Other financial assets	-	130
	885	**20,342**

Given loans, deposits and similar on 31 December 2015 refer to, for the most part, given loan to Đuro Đaković Aparati d.d. in the amount HRK 350 thousand, interest rate 7% (Contract No. 27/15 from 30 April 2015), VB Leasing d.o.o. in the amount HRK 131 thousand for automobiles, interest rate 6.5%, guarantee deposits at KENT Bank d.d. in the amount HRK 190 thousand, interest-free, and bank guarantee in the amount HRK 130 thousand, interest-free, for Customs administration in Zagreb and that for customs warehouse operations, transport services and shipping. Same position on 31 December 2014 refers to, for the most part, term deposits in KENT Bank d.d. in the amount HRK 20,000 thousand, interest rate 1.2%. Decrease is the result of term deposits release.

24. CASH AND CASH EQUIVALENTS

	31 December 2015	31 December 2014
Balance on the gyro account	25,835	31,716
Foreign currency account balance	11,597	1,467
Cash in hand	2	2
	37,434	**33,185**

25. PREPAID EXPENSES AND ACCRUED INCOME

	31 December 2015	31 December 2014
Accrued income under construction contracts	18,400	7,415
Prepaid expenses	80	9
Other accrued income - amounts not yet billed	-	26
	18,480	**7,450**

Prepaid expenses on construction contracts on 31 December 2015 refer to projects Hrvatska Elektroprivreda d.d. Osijek (HRK 8,479 thousand), Hrvatska Elektroprivreda d.d. Sisak (HRK 2,812 thousand), INA d.d. Vukanovec (HRK 2,401 thousand), INA d.d. Vučkovec (HRK 1,764 thousand), INA d.d. Sisak (Blowdown) (HRK 1,638 thousand), HEP Proizvodnja d.o.o. Zagreb TE-TO (HRK 1,305 thousand), and on 31 December 2014 it referred to projects HEP Proizvodnja d.o.o. Zagreb TE-TO (HRK 3,519 thousand), INA d.d. Sisak (Blowdown) (HRK 3,289 thousand), INA d.d. (spherical tanks) (HRK 397 thousand) and INA d.d. Vukanovec (HRK 210 thousand).

(All amounts are expressed in thousands of kunas)

26. SHARE CAPITAL

At 31 December 2015 the share capital amounts to HRK 151,934 thousand and consists of 7,596,684 shares (2014: HRK 151,934 thousand, consisting of 7,596,684 shares).

The ownership structure is set out below:

	Number of shares		**Ownership in %**	
	2015	**2014**	**2015**	**2014**
DUUDI / Republic of Croatia	3,079,233	3,814,552	40.53%	50.21%
Bakić Nenad	862,670	872,818	11.36%	11.49%
DUUDI / HZMO	660,000	660,000	8.69%	8.69%
Hypo Alpe-Adria Bank d.d./PBZ CO OMF – category B	288,740	288,740	3.80%	3.80%
PBZ d.d./PBZ-SP	210,291	210,291	2.77%	2.77%
CERP/Republic of Croatia	184,035	-	2.42%	-
DUUDI / State agency for deposits insurance and recovery	104,771	104,771	1.38%	1.38%
ĐURO ĐAKOVIĆ Holding d.d.	46,993	46,998	0.62%	0.62%
Interkapital vrijednosni papiri d.o.o. / Joint custody account for DF	28,642	-	0.38%	-
OTP Banka d.d. / INS683	22,130	15,000	0.29%	0.20%
OTP Banka d.d. / INE805	22,000	-	0.29%	0.20%
Primorska banka d.d. Rijeka/Joint custody account of private banking client - DF	17,892	20,375	0.24%	0.27%
PBZ d.d.	-	50,947	-	0.67%
Others	2,069,287	1,512,192	27.24%	19.91%
	7,596,684	**7,596,684**	**100.00%**	**100.00%**

(All amounts are expressed in thousands of kunas)

27. ACCUMULATED LOSSES

Basic and diluted loss per share

Basic earnings per share are determined, by dividing the Group's net profit by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares redeemed and held by the Group as treasury shares. Group has 46,993 own shares, which is 0.62% participation in share capital.

	31 December 2015	**31 December 2014**
Loss for the year attributable to the equity holders of the Company (in HRK 000)	(62,534)	(95,180)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	7,596,684	7,596,684
Basic earnings per share (in kunas and lipas):	**(8.23)**	**(12.51)**

Diluted earnings per share equals basic earnings per share because there is no base for impairment of weighted average number of ordinary shares.

28. NON-CONTROLLING INTERESTS

	31 December 2015	**31 December 2014**
Balance at 1 January	(8,212)	(7,244)
Share in loss for the year	(1,330)	(968)
Decrease in non-controlling interest based on increase of shares in subsidiaries Đuro Đaković Specijalna vozila d.d. and Đuro Đaković Industrijska rješenja d.d.	5,331	-
Balance at 31 December	**(4,211)**	**(8,212)**

Decrease in non-controlling interest is cause by increase of shares of company Đuro Đaković Holding d.d. in companies Đuro Đaković Specijalna vozila d.d. and Đuro Đaković Industrijska rješenja d.d., which subsequently decreases non-controlling interest's part in Group's loss.

(All amounts are expressed in thousands of kunas)

29. PROVISIONS

The total balance of long-term provisions relates to provisions made for legal actions in progress.

	31 December 2015	31 December 2014
Litigation provisions	11,689	12,067
Provisions for long-service benefits	1,626	1,712
Warranty provisions	1,451	1,303
Provisions for retirement and termination benefits	784	1,299
	15,550	**16,381**

Movements in provisions are presented below:

	31 December 2015	31 December 2014
At 1 January	16,381	17,945
New provisions made during the year	2,240	1,789
Amounts utilised / reversed	(3,071)	(3,353)
At 31 December	**15,550**	**16,381**

(All amounts are expressed in thousands of kunas)

30. BORROWINGS AND FINANCE LEASE OBLIGATIONS

	31 December 2015	31 December 2014
Non-current liabilities		
Long-term borrowings	210,264	135,480
Finance lease obligations	47	326
	210,311	**135,806**
Current liabilities		
Current portion of long-term borrowings	17,367	30,071
Current portion of financial leases	145	387
Short-term borrowings	48,169	36,242
Interest on borrowings	1,053	1,700
	66,734	**68,400**
Overdraft on giro account	25,340	20,607
Total current liabilities	**92,074**	**89,007**
Total liabilites for loans and finanacial leases	**302,385**	**224,813**

Received bank loans in the amount HRK 149,655 thousand (2014: HRK 84,756 thousand) are secured by lien on Group's land and buildings. Amount HRK 111,427 thousand of total amount refers to HBOR loan for new investments. Net book value of property, plant and equipment given as collateral for received loans is HRK 220,153 thousand on 31 December 2015 (2014: HRK 81,395 thousand).

	2015	2014
Balance at 1 January	**224,813**	**184,598**
New loans raised	211,001	114,575
Amounts repaid	(133,179)	(75,013)
Exchange differences	(250)	653
Balance at 31 December	**302,385**	**224,813**

(All amounts are expressed in thousands of kunas)

30. BORROWINGS AND FINANCE LEASE OBLIGATIONS (CONTINUED)

An overview of bank borrowings (maturities, interest rates, balances and currencies) is provided below :

Creditor	Maturity	Interest rate	Currency	At 31/12/2015	At 31/12/2014
Long-term borrowings					
Croatian Bank for Reconstruction and Development	31 December 2028	3.00%	EUR	111,427	40,678
HPB d.d.	30 October 2022	4.95%	EUR	78,151	78,422
KENT Bank d.d.	29 March 2015	4.99% + 12M EURIBOR	EUR	-	15,175
KENT Bank d.d.	30 November 2015	5.15% + 1Y EURIBOR	EUR	-	10,323
KENT Bank d.d.	30 April 2017	5.90% + 1Y EURIBOR	EUR	21,588	-
OTP Bank d.d.	30 November 2021	6.00%	EUR	8,242	9,516
Raiffeisenbank d.d.	2016	3.60%	HRK	5,299	-
Raiffeisenbank d.d.	16 February 2017	1M EURIBOR + 6.00 pp	EUR	2,113	-
Raiffeisenbank d.d./HBOR	2 January 2017	3.63%	EUR	-	7,993
Raiffeisenbank d.d.	31 December 2020	1M EURIBOR + 6.00% yearly	EUR	-	1,635
Raiffeisenbank d.d.	31 December 2020	1M EURIBOR + 6.00% yearly	EUR	-	910
Fund for environmental protection and energy efficiency	1 January 2021	-	HRK	721	721
VABA d.d.	18 March 2016	8.00%	EUR	137	178
Total long-term borrowings				**227,678**	**165,551**
Less current portion of long-term borrowings				**(17,367)**	**(30,071)**
Non-current portion of long-term borrowings				**210,311**	**135,480**

(All amounts are expressed in thousands of kunas)

30. BORROWINGS AND FINANCE LEASE OBLIGATIONS (CONTINUED)

An overview of bank borrowings (maturities, interest rates, balances and currencies) is provided below (continued)

Short-term borrowings	Maturity	Interest rate	Currency	At 31/12/2015	At 31/12/2014
Zagrebačka Bank d.d.	31 October 2016	8.00%	EUR	30,540	-
OTP Bank d.d.	31 March 2016	7.00%	EUR	10,689	-
Zagrebačka Bank d.d.	31 March 2015	5.45%	HRK	-	17,000
Zagrebačka Bank d.d.	28 February 2015	5.45%	HRK	-	15,000
OTP Bank d.d.	31 March 2016	5.56% + 3M EURIBOR	EUR	4,927	1,242
Erste & Steiermarkische Bank d.d.	25 November 2015	1M EURIBOR + 6.5 pp	EUR	1,650	3,000
Partner Bank d.d.	2015	7.50%	HRK	363	-
Total short-term borrowings				**48,169**	**36,242**
Current portion of long-term borrowings				**17,367**	**30,071**
Current portion of financial lease				**145**	**387**
Interest payable on borrowings				**1,053**	**1,700**
Total short-term borrowings				**66,722**	**68,400**
Approved overdraft on giro account in Croatia Bank d.d.	Revolving loan	5.60%	HRK	25,340	20,607
Total short-term liabilities				**92,074**	**89,007**

(All amounts are expressed in thousands of kunas)

30. BORROWINGS AND FINANCE LEASE OBLIGATIONS (CONTINUED)

	Minimum lease payments		Finance charges		Present value of minimum lease payments	
	2015	2014	2015	2014	2015	2014
Not later than 1 year	255	314	163	50	144	264
From one to five years	106	502	6	53	47	449
After five years	-	-	-	-	-	-
Less: future finance charges	**169**	**103**				
Present value of minimum lease payments	**192**	**713**				

31. OTHER NON-CURRENT LIABILITIES

	31 December 2015	31 December 2014
Amounts owed to the State for flats	11,521	12,980
Other non-current liabilities	405	752
	11,926	**13,732**

(All amounts are expressed in thousands of kunas)

32. TRADE PAYABLES

	31 December 2015	31 December 2014
Domestic trade payables	88,047	104,842
Foreign trade payables	23,247	38,544
	111,294	**143,386**

33. OTHER CURRENT LIABILITIES

	31 December 2015	31 December 2014
Advances received	48,881	24,512
Taxes, contributions and similar duties payable	7,605	6,658
Amounts due to employees	6,307	6,710
Other current liabilities	590	524
	63,383	**38,404**

34. ACCRUED EXPENSES AND DEFERRED INCOME

	31 December 2015	31 December 2014
Deferred income	2,338	10,548
Deferred grant income	1,264	1,474
Invoice accrual	1,030	-
Deferred revenue under construction contracts	-	2,823
	4,632	**14,845**

(All amounts are expressed in thousands of kunas)

35. RELATED-PARTY TRANSACTIONS

Trading transactions

Transactions entered into by and between the Group and its related parties during the year are as follows:

Operating income

	Sales	
	2015	**2014**
ERMEWA	87,550	-
Hrvatska Elektroprivreda d.d.	69,242	-
INA d.d.	31,134	-
Ministry of Defence of the Republic of Croatia	28,224	32,915
Atir-Rail	-	47,822
	216,150	**80,737**

Operating expenses

	Cost of sales	
	2015	**2014**
HOST B.V.	64,212	-
HEP Opskrba d.o.o.	11,035	-
Techni Industries	9,303	-
Atir-Rail	-	45,368
Diversified Investments S.A.	-	13,955
	84,550	**59,323**

(All amounts are expressed in thousands of kunas)

35. RELATED-PARTY TRANSACTIONS (CONTINUED)

Open balances from sale and purchase transactions at the end of the reporting period:

	Receivables from related parties	
	2015	**2014**
Hrvatska Elektroprivreda d.d.	22,243	-
INA d.d.	7,316	8,025
Atir-Rail	4,919	15,715
HEP Proizvodnja d.o.o.	-	8,522
	34,478	**32,262**

	Liabilities to related parties	
	2015	**2014**
HOST B.V.	12,813	-
SIEMENS d.d.	12,255	-
HEP Opskrba d.o.o.	6,137	-
HEAT Warmetechniche Anlagen	3,531	-
Kongsberg Protech Systems	-	11,492
Montmontaža-oprema d.o.o.	-	8,067
Gradnja d.o.o.	-	5,506
Cobham Defence Communications	-	4,278
	34,736	**29,343**

Remuneration to key management personnel

	2015	**2014**
Salaries	4,336	6,441
Other	330	899
	4,666	**7,340**

(All amounts are expressed in thousands of kunas)

36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance. The overall strategy of the Group did not change in comparison to comparative periods.

The Group's capital consists of debt, which includes borrowings disclosed in Note 30, less cash and cash equivalents and balances with banks (the so-called net debt), and equity, which comprises share capital, accumulated losses and reserves.

The Treasury of the Group reviews the capital structure of the Group. As part of this review, the Treasury considers the cost of capital and the risks associated with each class of capital. The gearing ratio at the reporting date was as follows:

Gearing ratio

	2015	2014
Debt (i)	**302,385**	**224,813**
Cash and cash equivalents	(37,434)	(33,185)
Net debt	**264,951**	**191,628**
Equity (ii)	496	64,360
Net debt-to-equity ratio	(53417,54%)	(297,74%)

(i) Debt consists of long-term and short-term borrowings, as described in Note 30.

(ii) Equity consists of share capital, accumulated losses and reserves managed by the Group as capital.

(All amounts are expressed in thousands of kunas)

36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Categories of financial instruments

	31 December 2015	31 December 2014
Financial assets		
Cash and cash equivalents	37,434	33,185
Trade receivables	72,220	67,082
Receivables	9,066	10,283
Other non-current financial assets	38	40
Prepaid expenses and accrued income	18,480	7,450
Given loans, deposits and similar	535	503
Investments in securities	883	2,188
Other receivables	8,389	20,782
	147,045	**141,513**
Financial liabilities		
Loans payable and borrowings	302,385	224,487
Trade payables	111,294	143,386
Accrued expenses and deferred income	4,632	14,845
Other current liabilities	63,383	38,404
Other non-current liabilities	11,926	13,732
Loans payable and borrowings	47	326
	493,667	**435,180**

At the reporting date there were no significant concentrations of credit risk for loans and receivables designated at fair value through the statement of comprehensive income. The carrying amount reflected above represents the Group's maximum exposure to credit risk for such loans and receivables.

(All amounts are expressed in thousands of kunas)

36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management objectives

The Treasury function of the Group provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks.

These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks. The Group does not enter into, or trade in financial instruments, including derivative financial instruments, for speculative purposes. The Treasury function periodically reports to the Group's management on the risk exposures.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates, as disclosed below.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The carrying amounts of the Group's foreign-currency denominated monetary assets and liabilities at the reporting date are provided in the table below:

	Liabilities		**Assets**	
	31 December 2015	**31 December 2014**	**31 December 2015**	**31 December 2014**
EUR	40,576	57,167	21,410	4,063

(All amounts are expressed in thousands of kunas)

36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Foreign currency risk management (continued)

Foreign currency sensitivity analysis

The Group is mainly exposed to the fluctuations in the exchange rate of the Croatian kuna against the euro (EUR) because this is the currency in which the majority of sales and purchases on international markets are carried out. Furthermore, significant amount of liabilities for loans relates to loans denominated in EUR.

The following table details the Group's sensitivity to a 10-percent increase and decrease of the Croatian kuna against the relevant currencies. 10-percent is the sensitivity rate used when reporting foreign currency risk internally to the Management Board and represents the Management Board's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for the 10-percent change in the relevant foreign exchange rate. The sensitivity analysis includes external borrowings, as well as loans to foreign operations of the Group denominated in a currency that is not the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the Croatian kuna strengthens 10 percent against the relevant currency. For a 10-percent weakening of the Croatian kuna against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	EUR impact	
	2015	**2014**
Profit or loss	21,083	46,714

The exposure to the 10-percent change for the relevant currencies is mainly related to the balance of borrowings, trade payables and receivables from foreign customers denominated in euro (EUR).

36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The Group's exposures to interest rates on its financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the at the end of the reporting period was outstanding for the whole year. A 50 basis point increase is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- loss for the year ended 31 December 2015 would decrease/increase by HRK 832 thousand (2014: decrease/increase by HRK 813 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group's sensitivity to interest rates has decreased during the current year mainly due to the reduction in variable rate debt instruments.

36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of dealing with creditworthy counter parties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from default. The exposure of the Group and the credit ratings of its counterparties are continuously monitored, and the total value of transactions entered into is spread across accepted customers. Credit exposure is managed by setting limits to customers.

Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The Group's Treasury monitors carefully credit risk concentrations on receivables because of a concentration of a large number of three major customers: Hrvatska Elektroprivreda d.d., Ina d.d., Atir-Rail. These customers represent 47.74% of total trade receivables. So far, the Group has had no major problems with the collection of receivables from the key customers.

Collateral held as security and other credit enhancements

The Group commonly accepts bank guarantees, debentures and bills of exchange of its customers.

(All amounts are expressed in thousands of kunas)

36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk management

Prudent liquidity management implies maintaining sufficient levels of cash, obtaining adequate funding using credit lines and facilities and the ability to settle the liabilities on a timely basis. It also involves matching the maturities of assets and liabilities to maintain appropriate liquidity levels. Ultimate responsibility for liquidity risk management rests with the Management Board. The Group manages its liquidity by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The cash flow forecasts are prepared on a monthly basis (by day) and departures are monitored daily.

Liquidity and interest rate risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both principal and interest cash flows. The undiscounted cash outflows on interest at variable rates was derived from interest rate curves at the end of the reporting period. The contractual maturity is determined as the earliest date on which the Group may be required to pay.

	Weighted average effective interest rate	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
2015							
Non-interest bearing liabilities		75,103	30,053	62,980	19,310	3,836	191,282
Interest bearing liabilities	4.70%	9,334	2,931	198,403	102,846	3,083	316,597
		84,437	**32,984**	**261,383**	**122,156**	**6,919**	**507,879**
2014							
Non-interest bearing liabilities		103,698	58,733	41,908	5,863	530	210,732
Interest bearing liabilities	5.90%	39,448	48,884	57,781	60,253	31,711	238,077
		143,146	**107,617**	**99,689**	**66,116**	**32,241**	**448,809**

(All amounts are expressed in thousands of kunas)

36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk management (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted cash flows of financial assets based on the earliest date on which the Group can require payment.

	Weighted average effective interest rate	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
2015							
Non-interest bearing liabilities		49,084	19,634	10,908	25,087	4,363	109,076
Interest bearing liabilities	0.15%	-	4,750	34,636	-	-	39,386
		49,084	**24,384**	**45,544**	**25,087**	**4,363**	**148,462**
2014							
Non-interest bearing liabilities		46,377	20,324	31,449	6,727	2,948	107,825
Interest bearing liabilities	4.50%	52	33,588	603	893	67	35,203
		46,429	**53,912**	**32,052**	**7,620**	**3,015**	**143,028**

36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;

At 31 December 2015 and 31 December 2014, the carrying amounts of cash, short-term deposits, receivables and short-term liabilities, accrued expenses and other financial instruments approximate their fair values due to the short-term maturity of these financial instruments.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 fair value measurements are indications of fair value derived from data other than quoted prices from Level 1 for observable assets or liabilities (i.e. their prices) or indirectly (derived from the price)

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(All amounts are expressed in thousands of kunas)

36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value measurements recognised in the statement of financial position (continued)

31 December 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets available for sale	-	-	-	-
Investment in bonds	-	-	504	504
Investment in shares	-	-	-	-
Financial assets held to maturity	-	-	-	-
Deposits	-	-	-	-
Total	**-**	**-**	**504**	**504**
31 December 2014				
Financial assets available for sale	-	-	-	-
Investment in bonds	-	-	546	546
Investment in shares	-	-	-	-
Financial assets held to maturity	-	-	-	-
Deposits	-	-	-	-
Total	**-**	**-**	**546**	**546**

37. CONTINGENT LIABILITIES AND COMMITMENTS

Litigations

There are various legal actions in progress against the Company and its subsidiaries. Set out below are the most significant legal actions in which the Group members are defendants. The Group recognised no provisions for those actions because, based on the legal assessment, the outcome of any of them is currently uncertain.

Legal action initiated by ZRAK d.d., Sarajevo and the Federation of Bosnia and Herzegovina

The case is held at the Commercial Court in Slavonski Brod under the Case File No. P-175/07. The plaintiffs ZRAK d.d., Sarajevo and the Federation of Bosnia and Herzegovina have initiated a legal action against Đuro Đaković Specijalna vozila d.d. and the Ministry of Defence of the Republic of Croatia on 1 June 2007 for HRK 30,343 thousand regarding delivered goods i.e. corresponding components for the production and equipment of Tank M-84 in accordance with the specification defined by the production plan. The first-instance court rejected the claim and the claimed amount of ZRAK d.d., and, following the appeal, the case is now pending at the High Commercial Court of the Republic of Croatia.

Legal action initiated by Bratstvo Holding d.d. and the Federation of Bosnia and Herzegovina

The case is held at the Commercial Court in Slavonski Brod under the Case File No. P-384/08. The plaintiffs Bratstvo Holding d.d. and the Federation of Bosnia and Herzegovina have initiated a legal action against Đuro Đaković Specijalna vozila d.d. and the Ministry of Defence of the Republic of Croatia on 1 June 2007 for HRK 16,391 thousand regarding delivered goods i.e. corresponding components for the production and equipment of Tank M-84 in accordance with the specification defined by the production plan. The first-instance court rejected the claim and the claimed amount of Bratstvo Holding d.d., and, following the appeal launched by the plaintiff, the case was brought before the High Commercial Court of the Republic of Croatia which annulled the judgement of the Commercial Court in Osijek, Standing Office Slavonski Brod on 1 February 2013 and returned the case to the same court for retrial.

(All amounts are expressed in thousands of kunas)

37. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Guarantees and sureties

	2015	**2014**
Loan guarantees	48,269	47,161
Advance payment guarantees	119,537	29,185
	167,806	**76,346**

The parent and its subsidiaries are beneficiaries of guarantees defined in the signed contracts. The majority of the guarantees comprise advance payment guarantees and good performance guarantees. During the periods observed, no funds were drawn under those guarantees by the bank.

Loan guarantees comprise guarantees issued by the parent to banks for the loans received by the subsidiaries.

38. EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date there were no significant events concerning the Group that would require adjustments to, or disclosure in the consolidated financial statements.

39. MANAGEMENT AUTHORISATION OF THE ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were adopted by the Management Board and authorized for issue on 29 April 2016.

Signed on behalf of the Group on 29 April 2016 by:

Tomislav Mazal

President of the Management Board

»ĐURO ĐAKOVIĆ«
HOLDING d.d.
SLAV. BROD, Dr. M. Budaka 1
2

Industrial zone Đuro Đaković

STATEMENT OF PERSONS ACCOUNTABLE FOR COMPOSING NONCONSOLIDATING AND CONSOLIDATED FINANCIAL REPORTS OF ĐURO ĐAKOVIĆ Holding d.d.

FOR THE PERIOD 1 January 2015 - 31 December 2015

In line with the Capital Market Act, Article 403 (Official Gazette no. 88/08; 146/08; 74/09; 54/13; 159/13; 18/15; 110/15) Management Board of ĐURO ĐAKOVIĆ Holding d.d., Dr. Mile Budaka 1, Slavonski Brod states:

The Management Board of Đuro Đaković Holding d.d. is obligated to secure that non-consolidated and consolidated financial reports for the period 1 - 12 of 2015 are composed in line with the Accounting Act and also in line with international standards of financial reporting. The management boards of companies which are in the system of Đuro Đaković Holding d.d. and which are subject to consolidation, are responsible for those companies' financial reports.

According to our best knowledge, the presented financial reports provide a wholesome and truthful display of assets and liabilities, profit and loss, financial position and business activities of Đuro Đaković Holding d.d. and the companies included in the consolidation as a whole.

Signed on behalf of the Management Board:

Tomislav Mazal, LLB, President of the Management Board

Marko Bogdanović, B.Sc., Member of the Management Board

»ĐURO ĐAKOVIĆ«
HOLDING d.d.
SLAV. BROD, Dr. M. Budaka 1
2

In Slavonski Brod, April 29, 2016

ĐURO ĐAKOVIĆ